



# House of Commons Education and Skills Committee

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## Public Expenditure: Schools' Funding

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### First Report of Session 2003–04

*Report, together with formal minutes, oral and  
written evidence*

*Ordered by The House of Commons  
to be printed 10 December 2003*

**HC 112**  
**Incorporating HC 864–i/ii, Session 2002–03**  
Published 18 December 2003  
by authority of the House of Commons  
London: The Stationery Office Limited  
£17.50

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### Footnotes

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## Summary

The Government introduced changes to the funding system for schools for 2003–04 in good faith that these would bring about improvements, and backed up the change with an increase in funding of £1.4 billion. Although it was not explicitly stated that every school was to receive more money, this was the implication of official statements. The increases implied, however, were greater than many institutions could reasonably expect to receive when increased costs were taken into account. The result was an outcry from certain sections of the schools community that they were suffering from effective cuts to their budgets and that only by making savings, including making teachers redundant, could they survive.

Faced with these problems, the Government has retrenched, putting money back into the Standards Fund and doing everything it deems possible to provide certainty for schools about the money they will be receiving in their budgets for next year. The extra money amounts to £1.075 billion over the next two years; £955 million for the Standards Fund and £120 million in targeted support for the LEAs with the lowest funding increases in the last two years.

The Secretary of State and his officials told us that they were unable to model the effects of this year's funding changes to the schools level, and we acknowledge the difficulties. It was, however, a serious weakness in the Department's strategy to implement the funding changes without knowing how schools would be affected. From our evidence, it appears that it was not until March 2003 that the DfES came to realise the full extent of the problems.

The danger for the DfES now is that it is attempting to remedy the problems without a full knowledge of where those problems occurred and the reasons for them. The DfES needs to have information from schools as well as LEAs in order to gain the full picture, and it needs information other than simply teacher numbers.

The DfES, Parliament and all other interested parties need hard evidence about what has happened across the country in order to make judgements about how to proceed. Without that hard evidence, the perception of a widespread funding crisis will persist whatever the real position is, and that is damaging for the whole schools system. The DfES should undertake a survey of LEAs, seeking information on individual schools to provide an assessment of how widespread and how severe the problems with schools' funding have been for 2003–04.

The Government had hoped that the new system of funding would be easier to understand than the old, and therefore would bring clarity. This year's events suggest not only that that has not happened, but that it might be a forlorn hope, given the variables that the formula is attempting to reconcile. However, earlier announcement of decisions on education financing brings some welcome certainty for schools and LEAs, and we expect the Government to continue to pursue this aim.

An important question is whether the settlement being provided for 2004–05 is designed to provide stability in the short term before returning to allocations based on the full operation of the FSS calculation, or if the 'flat-rate' approach being taken for next year is the beginning of a long term trend. The Government should make an announcement on its long term future plans for the schools funding system as soon as possible, for the sake of clarity and to enable a full public discussion on the best way forward. Whatever approach it decides to take, clarity and early settlement of budgets are vital to enable schools and LEAs to plan effectively and to help prevent a recurrence of this year's problems.

Hard evidence about how many schools were adversely affected and to what extent is vital if the Government, schools, LEAs and all other interested parties are to be able to plan responsibly for the future of schools funding. Unless the scale of the problem is quantified and the reasons for it fully understood, there will be no certainty for schools, and no end to the criticism of the Government.

## Introduction

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1. This report arises from the Committee's annual examination of DfES public expenditure. It is based principally on the Department's Annual Report,<sup>1</sup> a memorandum from the Department,<sup>2</sup> and meetings with the Rt Hon Charles Clarke MP, Secretary of State for Education and Skills, and with Mr David Normington, Permanent Secretary, Mr Stephen Crowne, Director, Resources, Infrastructure and Governance, and Dr Ruth Thompson, Director of Finance.

2. This annual inquiry has usually been an opportunity to examine a number of issues relating to the Department, its expenditure and policies. This year, however, one expenditure issue has overshadowed all others: the funding of schools. Others issues were discussed in the meetings we had with the Secretary of State and his officials, in particular the Private Finance Initiative and performance indicators, and those discussions are printed in the evidence. In this Report, however, we comment solely on schools' funding.

3. We are grateful for assistance with this inquiry from Tony Travers, Director of the Greater London Group at the London School of Economics.

## Schools' funding

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4. The mechanism for distributing central government funding to local education authorities (LEAs) and indirectly to schools was altered for the 2003–04 financial year. This reform came about as part of a wider review of the funding of local government, involving a change from Standard Spending Assessment (SSA) to Formula Spending Share (FSS) as the needs assessment within the RSG used to distribute grant.

5. In a statement in the House of Commons on 9 December 2002,<sup>3</sup> the Secretary of State set out the changes that he said would provide “a simpler, fairer system”. He confirmed that the average national increase in overall funding for schools and LEAs for 2003–04 would be 6.5%, and that each LEA would receive an increase in average funding per pupil of at least 3.2%. With the Government making an announcement on funding for the next three years as a result of the 2002 Comprehensive Spending Review, the Secretary of State said that he expected LEAs to give schools indicative three year budgets.

6. Additionally, he said that the Government was committed to giving local authorities more freedom over the use of resources and that “substantial funds will be moved from central DfES spending to local authority spending [...] by 2005–06, more than 92% of all schools funding will be allocated through local authorities in accordance with local

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1 *Departmental Report 2003*, Department for Education and Skills, Cm 5902, May 2003.

2 Ev 1

3 HC Deb, 9 December 2002, col 22.

priorities. That compares with 87% in [2002–03]”.<sup>4</sup> In 2003–04, ring-fenced grants which have ended are: nursery education for three-year-olds, funding for infant class sizes, the school improvement grant, school inclusion-pupil support, performance management and induction for newly qualified teachers.<sup>5</sup>

7. Shortly before the Secretary of State made his statement, David Miliband MP, the Minister of State for School Standards, wrote to all headteachers in England to explain the new system of local authority funding. He told them:

“Reform of the current education funding system was badly needed: it was out of date; it was complicated and hard to explain; it did not reflect the division of responsibilities between schools and LEAs; and it was widely seen as unfair, because it was based on spending patterns from 1991.”<sup>6</sup>

He added that the main aim of the changes was to ensure that similar pupils in different parts of the country attract similar amounts of funding. He also mentioned the minimum 3.2% increase in funding per pupil:

“All LEAs will see an increase of at least 3.2% per pupil for next year, with further increases in the following two years. In order to pay for this we are phasing in gains through a maximum increase of 7% per pupil.”<sup>7</sup>

8. In the light of these announcements from the Secretary of State and from the Minister for School Standards, LEAs and schools had reason to believe that there would be a significant increase in funding for *all* schools. That is not what happened. We asked David Normington, Permanent Secretary at the DfES, when his Department realised that there were problems with the distribution of funding. He told us:

“There were two points at which we became worried about this. Before Christmas it was clear to us that demands in the system were quite significant, and although there was more money going in nationally than the demands in the system, there was not that much headroom nationally [...] It felt much tighter [...] If you ask me when I realised we had a growing problem [...] It was when I went to the Secondary Head Teachers’ conference and was besieged by head teachers telling me this [...] it was mid to late March.”<sup>8</sup>

9. Under the Comprehensive Spending Review 2002, local authority education revenue spending on schools was planned to increase from £22.5 billion in 2002–03 to £23.9 billion in 2003–04. With an injection of an extra £1.4 billion of investment in this financial year the question to be answered is, why did any schools face funding difficulties?

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4 *ibid*, col 23.

5 *ibid*

6 Circular Letter from David Miliband, 5 December 2002.

7 *ibid*

8 Ev 40



## The change in the funding formula

### *Standard Spending Assessment*

10. As the Minister for School Standards said in his letter to head teachers in December 2002, the education funding system that existed up until 2002–03 was complicated and hard to explain. Education funding was (and remains under the new system) part of the local government finance settlement. The Government set a figure for Total Standard Spending, the amount of spending as a whole it was prepared to support.<sup>9</sup> The Government provided funding to meet approximately three-quarters of Total Standard Spending, through Revenue Support Grant and distribution of national non-domestic rates. This amount was known as Aggregate External Finance. The difference between Total Standard Spending and Aggregate External Finance is the approximate amount local authorities would need to raise through Council Tax if they spend at the level of Total Standard Spending.

11. Each Council's share of Total Standard Spending, its Standard Spending Assessment (SSA), was calculated by taking account of the population, social structure and other characteristics of each authority. There were separate formulae for education, personal social services, police, fire, highway maintenance, environmental, protective and cultural services and capital finances.

### *Formula Spending Share*

12. The new system introduced for the current financial year shares many of the characteristics of the previous arrangement:

“[It] continues to do broadly the same job, using formulae to distribute grant and taking account of the circumstances of an area and a council's relative ability to raise council tax. The main changes are:

- greater resource equalization,<sup>10</sup> using a more realistic national average level for council tax;
- new formulae for each service block;
- new Area Cost Adjustment; and
- an allowance for the fixed costs of being in business.”<sup>11</sup>

13. Total Standard Spending becomes Total Assumed Spending, and the money paid direct from central Government becomes Formula Grant. An Authority's share of Formula Grant is assessed by calculating its Formula Spending Share (FSS), which, as before, takes into account the population and other characteristics (such as relative deprivation, rural sparsity, density, wage levels). As in the previous system, Formula Grant is designed to cover three-quarters of Total Assumed Spending. Given the broad similarity of the old and

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9 A Plain English Guide to the Local Government Finance Settlement (3rd edition).

10 By increasing the SSA/FSS for some services to more accurately reflect past spending patterns.

11 A guide to the Local Government Finance Settlement, ODPM, 5 December 2002, page 7.

new systems, the most significant feature appeared to be the increase in resource equalisation.

14. FSS, although newly-introduced in 2003–04, is not in principle very different from its predecessor, SSA. Some changes were made to education needs assessments, though the wider redistributions of FSS (including those for other services) were subject to ‘floors’ and ‘ceilings’ which damped any impact on grant.

15. Coincidentally, the 2003–04 grant settlement was also affected by the introduction of new population figures from the 2001 census. Changes in population revealed by the census had direct impacts on FSS and grant. Settlements.

### **Standards Fund**

16. As well as general funding through the Formula Grant, specific grants are available through the Standards Fund for 33 separate services and projects. The overall budget for the Standards Fund for 2003–04 is £2.7 billion (the same in cash terms as for 2002–03), consisting of DfES grant and LEA contributions. The LEA contribution is set at £745 million, which the Department describes as “significantly less than for 2002–03”. The funds are allocated to LEAs using a different set of criteria for each grant, some being simple flat rate sums per LEA, others being calculated by more or less complicated formulae.<sup>12</sup> As mentioned earlier,<sup>13</sup> a number of grants previously payable through the Standards Fund have this year been absorbed into the general grant, as part of a three year plan to give LEAs greater freedom over expenditure.<sup>14</sup>

### **How problems emerged**

#### ***Demands in the system***

17. As David Normington told us, by Christmas 2002 the DfES had some indications that “demands in the system” were going to cause difficulties, and by March it was clear that for some schools those difficulties would be very severe.<sup>15</sup>

18. There was increased funding of £1.4 billion for 2003–04, but there were also several specific cost increases which reduced the impact of that extra money. There was an increase in employers’ contributions to pensions of 5.15%;<sup>16</sup> there were increased costs for teachers’ pay, including costs arising from a shortening of the pay scale, leading to larger increments; and there was a rise in employers’ National Insurance contributions of 1%. The effects of these changes were not uniform across the country. As the DfES said on pension contributions and the salary changes:

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12 *Standards Fund 2003–04*, Department for Education and Skills, 29 November 2002.

13 Paragraph 6.

14 *Standards Fund 2003–04*, Part A, paragraph 9.

15 Qq 22, 23

16 Ev 92, paragraph 28.

“Although these items were all covered in terms of national allocation of resources, there were differences between the distribution of additional of resources and the distribution of the additional costs that these items generated.”<sup>17</sup>

19. The DfES made a similar point on the changes to the Standards Fund, noting that there had been:

“Reductions in the proportion of funding for LEAs and schools provided through specific grant funding, following requests from local government and schools for a re-balancing in favour of general grant. This led to significant changes at both individual school and LEA level.”<sup>18</sup>

20. Perhaps most tellingly of all, the Department told us that change to the SSA/FSS system had also had its effect:

“Compared to previous years, where individual LEA’s year-on-year increases were tightly distributed around the national average, the 2003–04 local government settlement had more significant winners and losers than usual.”<sup>19</sup>

21. Those differences were brought out in figures we received in the DfES memorandum for this inquiry. The table below, which we have derived from those figures, shows the authorities with the highest and lowest percentage increases:

Percentage changes in education spending assessments, 2003–04			
Highest increases		Lowest increases	
	% increase		% increase
City of London	12.6	Hammersmith & Fulham	3.3
Wokingham	10.3	Knowsley	3.2
Cambridgeshire	10.0	Southampton	2.6
West Berkshire	10.0	Plymouth	2.9
South Gloucestershire	9.9	Portsmouth	2.8

22. Of course, education is only one element in an authority’s overall FSS. Some authorities will have enjoyed a relatively large SSA/FSS increase for education but a much smaller one for other services. On the other hand, authorities with relatively small increases in education SSA/FSS may have had larger increases for other services. It is the change in FSS for all services that determines changes in grant for an authority.

23. The Secondary Heads Association (SHA) argued that the large increase in school costs had not been properly calculated by the DfES, and so it had underestimated “educational inflation”. It estimated that an average secondary school would need a 10.5% increase in its core budget to cover the various increased costs:

17 Ev 32

18 ibid

19 ibid

“There is a cash increase on average across the country of 11.6% into LEA Schools Budgets; but with a 10.5% cash increase needed to stand still there is little real growth in the whole system. It is certainly not the minimum 3.2% real terms increase promised in the autumn and used by staff and governors in their planning”.<sup>20</sup>

SHA added that because the budget increase has to cover the costs of central LEA services as well as services in schools, the increase in schools budgets is well below the increase in funding as a whole.<sup>21</sup>

### **Passporting**

24. When concerns about difficulties with funding for some schools were first raised, the DfES said that one reason why there were difficulties was that not all the money provided by central Government to LEAs had been passed on (“passporting”) to schools. On 2 May, the Government published an analysis of LEA budgets for 2003–04.<sup>22</sup> Overall, the Government said that the figures indicated that “over £590 million” had not at that point been passed on to schools, although it acknowledged that there might be “good reasons” for this. It listed eight factors which appeared to have affected the distribution of funds from LEAs to schools, in particular that 19 LEAs appeared not to be passporting the full increase into their schools budget.<sup>23</sup>

25. The Local Government Association (LGA) rejected the Government’s analysis. The LGA told us that:

“There are no ‘missing millions’ and councils are not ‘withholding funds from schools.’ The facts are:

- at the time of the government’s exercise in March, many authorities were in the process of decision-making and had not allocated all funds to schools;
- some funds are distributed in line with DFES guidance and this is done ‘in-year’;
- some funding for Special Educational Needs is held centrally, for example statementing for SEN and central contingency; and
- funds are distributed for the forthcoming academic year, relating to school location and types of staff, such as Newly Qualified Teachers and Advanced Skills Teachers. These are not known until the summer and funding cannot be distributed until that time”.<sup>24</sup>

26. Passporting was also affected by the differential increases authorities received. In some cases, the very different SSA/FSS treatment was further challenged by the unexpected interaction between, on the one hand, the requirement that LEAs passport education spending and, on the other, changes in formula grant. For many authorities, the demand

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20 Ev 86, paragraph 4.

21 *ibid*

22 DfES press notice, LEA budgets published, 2 May 2003.

23 *ibid*

24 Ev 92, paragraph 26.

(from DfES) that they passport at least 100% of their education FSS meant that most or all of their formula grant—intended to contribute towards the funding of *all* their services—was consumed by schools funding.

27. Two authorities—Barnet and Essex—found themselves in the position of being expected to passport more additional resources to education than their overall formula grant increase. The figures for Barnet are shown below:

Education SSA/FSS	2002–03	£129.964 million (a)
	2003–04	£144.420 million (b)
'Passport' total [(b) minus (a)]		£ 14.456 million
Formula grant increase		£ 13.246 million
<i>Excess of education "passport" over formula grant</i>		£ 1.210 million

Barnet was expected to use the whole of its increase in formula grant (plus another £1.21 million) to fund education passporting. Any increases in spending on social services, refuse collection, highways, planning and other services would have to be financed by council tax rises. As Column F of Table C in the DfES memorandum shows, many other local authorities found themselves in a position where almost all of their formula grant was pre-empted by education passporting.<sup>25</sup>

28. Column G of Table C shows how far LEAs passported education FSS to schools. Some authorities passed less than 100% of the resources the Government wished to see handed to schools. Others passported well over 100%. The table shows the top and bottom five authorities:

Passporting: highest and lowest percentages			
Lowest		Highest	
Westminster	73.8%	Bexley	137.2%
Isles of Scilly	83.4%	Southampton	122.1%
Wokingham	88.3%	Medway	120.7%
Trafford	89.9%	Camden	120.5%
Croydon	90.2%	Solihull	114.6%

29. The Secretary of State has reserve powers to require an LEA to set a minimum level of schools budget if he believes it is not providing schools with sufficient funding.<sup>26</sup> In February, he announced that he had taken this action with Westminster and Croydon,

25 Ev 13–17

26 Section 45A of the School Standards and Framework Act 1998, inserted by section 45 of the Education Act 2002.

because the DfES considered their budgets to be inadequate.<sup>27</sup> Both authorities subsequently increased their budgets following discussions with the DfES.<sup>28</sup>

30. Mr Normington was asked about the correlation between those authorities which had not passported the full education FSS and those which had problems with teacher redundancies. He said, "I do not think it is a very strong correlation because it depends what action the local authority has then taken to try to minimise problems in its area".<sup>29</sup>

31. We also asked the Secretary of State about passporting. He told us:

"[...] at the end of the year I think we are in a position where about 11 LEAs out of the 150 or so are still not passporting 100% of their expenditure. Earlier in the year in May, we were talking about 19 or 20 that had not passported. Some decided that they would and that is fine. It is a fact that some of those which have not passported were amongst those which were most concerned about the state of affairs [...] I think the question of passporting is a legitimate question for me to raise. You then have the question of did schools know they were going to get money that was in the local education authority budget and was en route to them at some point in the year? I can tell you for a fact that there were a number of schools that had no idea either how much money, if any, they were going to get from the beginning of the year when they saw the figures at that point. There were some LEAs who were telling their schools that there would not be any more money and it was all down to the Government and all the rest of it. In those circumstances, I thought it was perfectly reasonable to say the LEAs should make clear to schools in their LEA how much money was going to come to that school in the course of the year as soon as possible so that they had a proper basis upon which to budget."<sup>30</sup>

32. Passporting all education spending would have required some authorities to spend their grant increase for all their services on education. The Secretary of State told us:

"There are a couple of authorities in the country where the relationship between the education amount that was allocated and the [Revenue Support Grant] amount generally could give rise to that kind of concern [...] One of the attractions for some kind of national educational schools fund where the money went to LEAs to be passed on, is that it would create a greater insulation between the amount of money that is allocated to schools and the amount of money allocated for other services, which I as Education Secretary would welcome."<sup>31</sup>

33. Estimates of spending on schools during 2003–04 suggest that, in total, LEAs' schools expenditure exceeded the Government's plans by £200 million. While individual authorities may not have passported 100% of additional needs assessment to schools, there was no overall shortfall in schools' funding.

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27 DfES Press Notice, New Funding Powers Used, 13 February 2003.

28 DfES Press Notice, Westminster and Croydon agree to pass on more funding to schools, 3 March 2003.

29 Q 62

30 Q 149

31 Qq 157, 158

## Government proposals for future years

34. In evidence the Secretary of State told us that his main aim was to make sure that there was no repeat of this year's problems in future years:

"The general view I have had from many, many schools [...] is that the greatest thing we could do to restore confidence for the current year is to ensure that schools feel that the resources for the future are secure."<sup>32</sup>

He added that "it seems to me critically important that local government and national government do work together in these arrangements to ensure that every school gets a reasonable funding settlement next year and the year after".<sup>33</sup>

35. Two days after giving evidence to us, on 17 July, the Secretary of State made a statement to the House of Commons about plans for schools funding for 2004–05. He set out the basis on which he wished to proceed:

"My guiding principles on the changes needed in the schools funding system for the next two years are as follows. First, every school should receive at least a guaranteed per pupil increase in funding for each year. Secondly, central and local government should make earlier announcements of the financial allocations to schools so that heads have greater certainty and time to plan. Thirdly, we should provide greater stability through a two-year settlement on teachers' pay, ring-fenced grants and the guaranteed per pupil increase in school funding. Fourthly, there should be greater transparency in the overall system of funding for schools. Finally, the reforms agreed with the key work force partners, as reflected in the national agreement on raising standards and tackling workload, should be sustained."<sup>34</sup>

We aim to monitor the Secretary of State's success in meeting these objectives over the next two years.

36. The Secretary of State's main proposal was that for both 2004–05 and 2005–06 every school should receive at least a minimum increase in its funding per pupil based on "the average cost pressures for 2004–05 and 2005–06", to be announced in the provisional local government finance settlement in November.<sup>35</sup> This would be achieved by placing each LEA under an obligation to provide for such a minimum guarantee, while the DfES would ensure that each LEA has the necessary resources within its schools budget. The DfES part of this bargain would be to set the minimum increase of schools' FSS at a level "that will cover the school level guarantee" and to ensure that LEAs receive enough in central Government grant to passport increases in schools' FSS in full.<sup>36</sup>

37. On the Standards Fund, the Secretary of State announced that the reductions previously announced for 2004–05 and 2005–06 would be reversed, providing "more than £400 million in each of the next two years, over and above existing plans" and that

32 Q 141

33 Q 145

34 HC Deb, 17 July 2003, col 454.

35 *ibid*, col 455.

36 *ibid*, col 456.



announcements on Standards Fund distribution would be made earlier than in the past. This last point reflected a concern he raised in evidence to us, namely that the local government budget setting process does not provide hard information until very late in the day:

“[W]e have a system which has a very late settlement of resource, with very late set council tax and therefore, by definition, a very late position of budget for any school in our current regime.”<sup>37</sup>

In his statement to the House, the Secretary of State said that it was the Government's intention to bring forward the announcement of the provisional local government settlement to mid-November, and bring forward the deadline for notification of passporting intentions by LEAs to the end of December rather than the end of January. He also said that in his submission to the School Teachers' Review Body he had made the case for a two-and-a-half-year settlement to try to establish some stability.<sup>38</sup>

38. On 29 October the Secretary of State made a further statement in which he gave the figures for the funding guarantee. He said that the DfES had calculated that “unavoidable cost pressures” for the average school will increase by 3.4% in 2004–05. On that basis, schools would receive in general a 4% increase in their overall budgets. Those schools with declining pupil numbers would receive slightly more per pupil to meet fixed costs (such as cleaning, repairs and heating), while those with increasing numbers would receive slightly less, on the grounds that their fixed costs form a proportionately smaller part of their budgets. In addition, he said that he expected the minimum schools guarantee for 2005–06 would also be 4%.<sup>39</sup> The guaranteed minimum per pupil increase for LEAs will be 5% for 2004–05, with an expectation that it will also be 5% in 2005–06, and he confirmed the additional funding for the Standards Fund as £435 million in 2004–05, and £520 million in 2005–06. He also announced that those LEAs which had received the lowest increases in funding in the past two years, around a third of the total, would receive additional grant over the next two years of £120 million to assist affected schools.<sup>40</sup>

## The consequences for schools

39. The debate about how money has been distributed to schools has not, of course, taken place in a vacuum. Some schools which had been anticipating increased funding have, because of the rise in costs and for other reasons, found that effectively they are no better off than last year, and in some cases their situation is worse. The DfES has acknowledged difficulties and taken some steps to alleviate them; for example, by giving the 36 authorities which received the lowest increase in their education FSS an extra £28 million between them,<sup>41</sup> providing LEAs in London with an extra £11million to offset increases in teachers' pay<sup>42</sup> and allowing schools to use capital funding for revenue purposes for this year only.

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37 Q 160

38 Col 457

39 HC Deb, 29 October 2003, Col 305.

40 *ibid*

41 DfES Press Notice, 36 LEAs receive funding boost, 26 March 2003.

42 DfES Press Notice, Westminster and Croydon agree to pass on more funding to schools, 3 March 2003.



40. The Government has been criticised for not doing enough to address funding problems, but it has proved impossible to gain a definitive picture of how many LEAs and schools have problems as a consequence of the funding changes. The main indicators that have been used are the number of teaching posts lost and the number of teachers who have been made redundant. There has, however, been no generally accepted view of how serious the consequences for schools have been, with different surveys giving different results.

41. The *Times Education Supplement* and SHA published a survey on 29 August which suggested 3,500 school staff had been lost. This survey also indicated that while 50% of schools had been able to expand staff numbers, around one third had reduced teaching and support staff. This survey was criticised by NASUWT, which said that its monitoring showed no indication of that scale of redundancy or indeed a greater level of redundancy than in previous years (around 250).<sup>43</sup> A survey in *The Guardian* on 1 September suggested that 2,500 teaching posts had been lost in England and Wales. Most recently, a survey for the NUT undertaken by the Centre for Education and Employment Research at the University of Liverpool suggested that schools adversely affected had lost 8,800 full time equivalent teachers: 5,702 in primary schools, and 3,115 in secondary schools. The net effect taking into account those schools which had created new teaching posts was a loss of 4,537 in primary schools and a gain of 20 in secondary schools. The Liverpool survey also suggested that in affected schools 12,308 support staff had been lost.<sup>44</sup>

42. The Government has generally refused to be drawn on the question of how many posts have been lost and how many teachers have lost their jobs because of problems with the funding regime. The Prime Minister suggested in the House of Commons in June that the DfES believed there were 500 net redundancies.<sup>45</sup> In evidence, DfES officials were cautious about giving a precise figure. Mr Stephen Crowne, Director, Resources, Infrastructure and Governance said that the Department broadly agreed with the figure suggested by a NASUWT survey of approximately 250 redundancy notices, but that without a special exercise asking for that information it was not possible to give a definitive number.<sup>46</sup> He added that “our priority has been to work with those local authorities which are facing some of the biggest challenges and to try and help them through those difficulties”.<sup>47</sup> Mr Normington said:

“I do not want to put another figure equally distant from the facts into the public domain [...] I think actual redundancies as a result of these funding reductions will be quite small at the end of this process, but I do not want to put another figure in because we do not have up-to-date information”.<sup>48</sup>

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43 “Teaching union critical of school funding survey”, *The Guardian*, 29 August 2003.

44 Alan Smithers and Pamela Robinson, *The Reality of School Staffing*, Centre for Education and Employment Research, University of Liverpool, 14 October 2003.

45 HC Deb, 11 June 2003, col 673.

46 Qq 51, 54

47 Q 58

48 *ibid*

43. The Secretary of State gave a similar response:

“[W]e will not know the figure [of the number of teachers made redundant] until 1 January when we get the returns on unemployment [...] We have gone round all the LEAs and asked for their assessment as we have been going through the process. As I have said in the House on a number of occasions, the overall level of redundancies is broadly comparable with previous years. The truth is that the number of compulsory redundancies is relatively low, but there is an issue about the number of teachers who have left employment but have not been made compulsorily redundant, whether through early retirement or natural wastage in some other form.”<sup>49</sup>

## What went wrong

44. The difficulties faced by schools in 2003–04 occurred for a number of reasons, almost all of them beyond the control of schools themselves. The most significant of these external factors were:

- The decision by the Government to change the distribution formula for allocating spending (and thus grant) to local authorities. This led to very different changes in resources from one authority to another.
- A second decision by the DfES to transfer money (as compared with the position in 2002–03) from the Standards Fund to the general distribution formula. This shift has the effect of leaving some schools that had previously received Standards Fund resources much worse off in 2003–04.
- Decisions by local authorities about the allocation of their budgets between education and other services and, within education, between schools and services provided centrally by the LEA itself (which gave rise to some of the disputes about passporting).
- The within-authority distribution of resources—on the basis of DfES approved Fair Funding Formulae—which is required to be heavily pupil-driven. Schools with static or falling rolls are likely in many cases to have lost resources.

45. Once budgets had been settled through these mechanisms, schools then had to deal with extra demands through:

- The increase in teachers' pay;
- The increase in pension contributions; and
- The increase in National Insurance contributions.

Schools have relatively small budgets and reserves compared with LEAs. The gap that in many cases emerged between the resources provided and the demand for those resources led to reductions in teacher numbers. The situation was not helped by the process which meant that schools did not know the size of their budget until the beginning of the financial year.

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49 Qq 164, 165

46. This outcome was clearly not the one that the Department had been anticipating. In evidence, the DfES conceded that the money it provided covered the extra costs in the system overall with a small margin, but that those LEAs which had below average increases in SSA/FSS would undoubtedly have had severe pressures on their budgets. We asked Mr Normington about what forecasting and modelling the DfES had done. He told us:

“[W]e did not know, as I have admitted, precisely what the effects would be on individual schools. It was very difficult to model that, but at the beginning of this process, we did have a very good fix on how the changes we were making to the local authority funding formula would impact differentially on local authorities. We did have that, and the evidence of that is, of course, that we put in floors and ceilings, so that the effect was not as extreme as it would otherwise have been. Secondly, we did know very well what the costs that schools were facing would be, and we were able to model that. We also knew that some standards fund grants were ending and some standards fund grants were being transferred into the local authority settlement. What we were not able to do was to model the total impact of that on every school, because, as the memorandum says, there are decisions being taken at each level—some by us, some by local authorities, some by schools—which makes it virtually impossible for us to model what the impact will be on every individual school. We did not believe that the impact on individual schools would be as different across the piece as it has been. Some are big gainers, and some are losers, and of course, we have been hearing from the losers, who have real problems. It was that bit of it, the modelling of the impact on schools, that we were not able to do, so we were not able to provide that to ministers. Overall, in the national settlement, we believed there was enough money to cover all the demands, but of course, as it spreads out, as the memorandum shows, the differential impact, first on local authorities and then on schools, was very wide.”<sup>50</sup>

47. The Secretary of State made a similar point:

“[T]he question you ask as to what extent this could have been modelled more greatly than it was, I think that is a very difficult question because a significant number of the decisions, for example the level of council tax increase by a particular LEA, the amount of passporting, the allocation to particular schools, the allocation as between secondary and primary schools, the question of how much went to special educational needs and so on, were all decisions of individual LEAs which by definition you could not model. You could have various hypotheses but you could not model what a particular LEA would do in those circumstances. I do not think it is true to say that my officials did not model the situation correctly.”<sup>51</sup>

48. He did agree that the late settlement was a problem:

“The one area of criticism which I think is warranted is [...] the fact that the whole thing came in too quickly at the end, so that schools felt they got their budgets without knowing what the situation was going to be quickly enough to deal with it, and they had a presumption, for rhetorical or other reasons that had gone on earlier,

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50 Q 2

51 Q 137

that the situation was going to be better than they expected and that speed of events led to some of the situations being as acute as they were. That is one of the reasons why I have given a great priority next year to getting the earliest possible announcement of what schools budgets will be.”<sup>52</sup>

49. The DfES did not have accurate enough information to know how the changes in budget calculation would affect individual schools before the system was changed. It still does not know how many teachers and teaching posts have been lost as a consequence of this year's events, and won't know until the survey of teacher numbers is completed in January.<sup>53</sup> Even then, the breakdown in teacher numbers is done by LEA at the lowest level, so the effect on schools may not be apparent.

### Will the problems recur?

50. The Government has taken a number of actions to try to avoid a repetition of this year's problems in 2004–05. It has introduced a guaranteed minimum increase in funding for every school and LEA; it has restored money to the Standards Fund that it had planned to remove; it has introduced payments for worst affected authorities to give extra assistance to schools in particular difficulties; and it is seeking to have decisions made earlier so that schools know what their budgets are to be in good time before the start of the financial year.

51. Despite these initiatives, there are still grounds for concern:

- The planned increase in year-on-year resources of 5.7% is less than for 2003–04;<sup>54</sup>
- Some schools have a starting point for next year which includes funding from this year from reserves and/or their repairs and capital resources budget. These one-off resources cannot be re-used next year;
- Inflation is a little higher this year than last;
- The 3.4 % estimate for fixed costs in the coming year may be exceeded;
- The Government's announcement includes additional Standards Fund resources for 2004–05 and 2005–06 which is designed to help authorities and schools in particular difficulties. This may encourage schools and LEAs to expect such support into the future.

### Conclusions and recommendations

52. The Government introduced changes to the funding system for schools in good faith that it would bring about an improvement, and backed up the change with an increase in funding of £1.4 billion. Against expectations, the result was an outcry from certain sections of the schools community that they were suffering from effective cuts to their budgets and

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52 *ibid*

53 *The School Workforce in England* statistics.

54 The DfES has told us that the 5% minimum guarantee to LEAs will be within the existing planned expenditure: note to the Clerk of the Committee, 3 November 2003.

that only by making savings, including making teachers redundant, could they survive. Faced with these problems, the Government has retrenched, putting money back into the Standards Fund and doing everything it deems possible to provide certainty for schools about the money they will be receiving in their budgets for next year. The extra money amounts to £1.075 billion over the next two years; £955 million for the Standards Fund and £120 million in targeted support for the LEAs with the lowest funding increases in the last two years.

### **Planning and outcomes**

53. The Government faces a conundrum. On the one hand, the DfES wishes to be able to guarantee schools a particular level of funding. Although it is not explicitly stated that every school is to receive more money, this is the implication of official statements. Often the increases implied are rather greater than many institutions can reasonably expect to receive. On the other hand, the DfES cannot directly control the allocation of money to every school and, more worryingly, cannot model what is likely to occur in any particular year. The Government's aspirations exceed its capacity to deliver and to predict what will happen.

54. The Secretary of State and his officials told us that they were unable to model the effects of this year's funding changes to the school level. We acknowledge the problem, given the funding split between the DfES and LEAs and the complexity of the calculations. **It was, however, a serious weakness in the Department's strategy to implement the funding changes without knowing in detail how schools would be affected.**

55. We have criticised the Department a number of times recently for not having sufficient evidence to underpin policy decisions it has taken. The DfES did not have enough information about the benefits specialist status may confer on schools to justify the expansion of the specialist schools programme,<sup>55</sup> and it has not undertaken a detailed assessment of various school improvement initiatives such as Excellence in Cities to establish which have been most effective in improving the performance of pupils.<sup>56</sup> The criticism here of the DfES' modelling is similar: the Department did not have sufficient evidence to be able to say with confidence that it would be able to achieve its planned objective.

56. The danger for the DfES now is that it is attempting to remedy the problems without a full knowledge of where those problems occurred and the reasons for them. The School Workforce statistics in January will tell us how many teachers are in employment and the number of vacancies. It will not reveal the reasons why some schools have been affected and others not. The DfES needs to have information from schools as well as LEAs in order to gain the full picture, and it needs more than simply teacher numbers. For example:

- Were schools which lost money from the Standards Fund worse hit than others?
- How many schools have deficit budgets for this year?

55 Education and Skills Committee, Fourth Report of Session 2002–03, *Secondary Education: Diversity of Provision*, HC 94, para 125.

56 Education and Skills Committee, Seventh Report of Session 2002–03, *Secondary Education: Pupil Achievement*, HC 513, para 43.

- How many schools used the option of spending their capital funds on revenue expenditure?

57. There are parallels here with the alleged 'fixing' of A level grades in 2002. When those complaints were first raised, it appeared that the whole system might be called into question. Following an inquiry by Mike Tomlinson, and the opportunity he had to look at the facts of the case, the relatively small number of 1,945 students overall received at least one revised A or AS level grade<sup>57</sup> and the sense of crisis abated.

58. A similar situation might now exist with schools funding. There is a perception that the funding system is failing schools, and some schools clearly have had serious problems, but the DfES, Parliament and all other interested parties need hard evidence about what has happened across the country in order to make judgements about how to proceed. Without that hard evidence, the perception of a widespread funding crisis will persist whatever the real position is, and that is damaging for the whole schools system. **We recommend that the DfES undertakes a survey of LEAs, seeking information on individual schools to provide an assessment of how widespread and how severe the problems with schools' funding have been for 2003–04. We also recommend that the results of this survey are made public as soon as possible.**

59. The Government has already made decisions about how to try to avoid problems in 2004–05. **For the future, if the Government intends to continue to seek greater control over the detailed distribution of funding to schools, it needs a far superior information system, which needs to be predictive. If it is unable to achieve that, the Government needs to understand the limitations under which it is operating, and so be more cautious about what it promises on schools funding.**

60. There has been an increase in central Government's expectations for schools. It wants certain things to happen, but it does not have the means to ensure that they do happen. **If it has a desire for a greater degree of central control over schools funding, about which we would have serious reservations, it should provide itself with an effective means of exercising that control.**

### **National education fund**

61. One way of providing greater clarity on spending issues would be more formally to separate education spending from the rest of the local authority settlement. The Secretary of State said that the idea of a national education fund held some attractions,<sup>58</sup> and it would help to prevent the problem of authorities being asked to pass on to schools increased funding at a higher level than is provided for their services as a whole. Such a policy has implications for local government finance which go much wider than education services alone, but it may be the way forward if the Government seeks to target education spending more directly.

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57 Education and Skills Committee, Third Report of Session 2002–03, *A Level Standards*, HC 153, para 26.



### *Late setting of budgets*

62. The difficulty caused by the lateness of the setting of budgets for the coming year is one that the Government has tried to address. The announcement in October 2003 of plans for 2004–05 year was significantly earlier than the announcement for the current year, as was the announcement of the local government revenue finance settlement, made on 19 November. With the announcement of the teachers' pay award also having been brought forward, with the announcement made on 10 November, then it should be possible for schools to know what their budgets will be at least one month earlier than in previous years. The Government had hoped that the new system of funding would be easier to understand than the old, and therefore would bring clarity. This year's events suggest that not only has that not happened, but that it might be a forlorn hope, given the variables that the formula is attempting to reconcile. **Even if it is not possible for the process to be more transparent, earlier announcement of decisions on education financing brings some welcome certainty for schools and LEAs, and we expect the Government to continue to pursue this aim.**

### *Financial management in schools*

63. It is not possible to quantify how far the problems schools faced came about because schools were planning on the basis of at least a 3.2% increase in funding which then did not materialise, although SHA suggested that many schools had done so.<sup>59</sup> Earlier finalising of budgets would help to avoid some of those problems. The Secretary of State has also suggested that the financial planning by some schools was not as effective as it should have been, and has put in place support and guidance to help schools' budget management, particularly in LEAs which have received transitional grant.<sup>60</sup>

64. School-based funding inevitably brings problems as well as benefits. Schools have to accept the risks as well taking advantage of the flexibility the system brings to enable them to manage their own affairs. This is not to seek to blame schools for the situation that arose; but if a school had not handled its budget well, that deficiency could be masked by the general funding issues. Any schools with a very high percentage of their budgets committed to salaries and with few reserves, for example, are likely to have faced funding difficulties. Here again a detailed survey might help to highlight those schools which need assistance.

### *The future of the Formula Spending Share system*

65. The move from SSAs to FSSs was the culmination of a number of years of effort by officials in central and local government. The 2003–04 needs assessments were supposed to be 'fairer' than those which preceded them. Without that greater degree of fairness there would be no grounds for undertaking the move to FSS.

66. Yet it is now clear that the problems that emerged during 2003–04 were made worse by the redistribution implied by the move from SSA to FSS. Authorities and schools that were made worse off by the local government funding reform were bewildered and felt the new

59 Ev 10, para 4.

60 HC Deb, 29 October 2003, Col 309.

resource allocations were anything but fair. Understandably, the Secretary of State has announced measures for 2004–05 designed to restrict the possibility of individual schools facing too great a loss of resources. These funding 'floors' will be paid for by mirror-image 'ceilings' that will restrict other schools' resource increases.

67. Although the new arrangements for 2004–05 spring logically from efforts to solve the problems of 2003–04, they are hardly consistent with the notion of 'fairness' that originally drove the move from SSA to FSS. In effect, the new schools funding arrangements for 2004–05 (which will, presumably, be extended in future years) have the effect of overriding the expected impact of the spending needs assessment reforms introduced for 2003–04. The 2004–05 arrangements also have the effect of reducing the 'per pupil' funding guarantee embedded in the Fair Funding Formula system that has been in use for some years.

68. Thus, the 2004–05 smoothing arrangements imply an important new principle for the funding of schools in England. There has been a move towards a system where schools will receive increases in year-on-year funding that are closer to a fixed, average, percentage for all. Opportunities for authority-to-authority FSS resource redistributions or for school-to-school redistributions as a result of changes in pupil numbers or social factors have been substantially reduced. One sort of fairness has been reduced in order to increase another. In making these changes, the purpose of moving to FSS has been undermined. The question is whether the settlement being provided for 2004–05 is designed to provide stability in the short term before a return to allocations based on the full operation of the FSS calculation, or whether the 'flat-rate' approach being taken for next year is the beginning of a long term trend.

**69. We recommend that the Government makes an announcement on its long term future plans for the schools funding system as soon as possible, for the sake of clarity and to enable a full public discussion on the best way forward. Whatever approach it decides to take, clarity and early settlement of budgets are vital to enable schools and LEAs to plan effectively and to help prevent a recurrence of this year's problems.**

70. This is another matter which cannot sensibly be decided without a full understanding of what has happened in schools this year. **Hard evidence about how many schools were adversely affected and to what extent is vital if the Government, schools, LEAs and all other interested parties are to be able to plan responsibly for the future funding of schools. Unless the scale of the problem is quantified and the reasons for it fully understood, there will be no certainty for schools, and no end to the criticism of the Government.**



# Conclusions and recommendations

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## Planning and outcomes

1. It was a serious weakness in the Department's strategy to implement the schools' funding changes without knowing in detail how schools would be affected. (Paragraph 54)
2. We recommend that the DfES undertakes a survey of LEAs, seeking information on individual schools to provide an assessment of how widespread and how severe the problems with schools' funding have been for 2003–04. We also recommend that the results of this survey are made public as soon as possible. (Paragraph 58)
3. For the future, if the Government intends to continue to seek greater control over the detailed distribution of funding to schools, it needs a far superior information system, which needs to be predictive. If it is unable to achieve that, the Government needs to understand the limitations under which it is operating, and so be more cautious about what it promises on schools funding. (Paragraph 59)
4. If the Government has a desire for a greater degree of central control over schools funding, about which we would have serious reservations, it should provide itself with an effective means of exercising that control. (Paragraph 60)

## Late setting of budgets

5. Even if it is not possible for the process to be more transparent, earlier announcement of decisions on education financing brings some welcome certainty for schools and LEAs, and we expect the Government to continue to pursue this aim. (Paragraph 62)

## The future of the Formula Spending Share system

6. We recommend that the Government makes an announcement on its long term future plans for the schools funding system as soon as possible, for the sake of clarity and to enable a full public discussion on the best way forward. Whatever approach it decides to take, clarity and early settlement of budgets are vital to enable schools and LEAs to plan effectively and to help prevent a recurrence of this year's problems. (Paragraph 69)
7. Hard evidence about how many schools were adversely affected and to what extent is vital if the Government, schools, LEAs and all other interested parties are to be able to plan responsibly for the future funding of schools. Unless the scale of the problem is quantified and the reasons for it fully understood, there will be no certainty for schools, and no end to the criticism of the Government. (Paragraph 70)

## Formal minutes

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**Wednesday 10 December 2003**

Members present:

Mr Barry Sheerman, in the Chair

Valerie Davey  
Paul Holmes

Mr Kerry Pollard  
Mr Andrew Turner

The Committee deliberated.

Draft Report (Public Expenditure: Schools' Funding), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 70 agreed to.

Summary agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select committees (reports)) be applied to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Monday 15 December 2003 at 3.45 pm]

## Witnesses

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### Wednesday 25 June 2003

Page

**Mr David Normington**, Permanent Secretary, **Dr Ruth Thompson**, Director of Finance and **Mr Stephen Crowne**, Director, Resources, Infrastructure and Governance, Department for Education and Skills

Ev 36

### Monday 14 July 2003

**Rt Hon Charles Clarke MP**, Secretary of State for Education and Skills

Ev 56

## List of written evidence

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Department for Education and Skills	Ev 1: Ev 35; Ev 54; Ev 75
Royal National Institute of the Blind	Ev 77
National Union of Teachers	Ev 81
Secondary Heads Association	Ev 85
Local Government Association	Ev 90
Association of Colleges	Ev 96
Jarvis Plc	Ev 99
Equion	Ev 102

## List of unprinted written evidence

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Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Royal National Institute of the Blind (Annexes to the printed memoranda)  
 Association of Colleges (Annexes to the printed memoranda)  
 National Union of Teachers (Annexes to the printed memoranda)  
 Hipperholme & Lightcliffe High School and Sports College  
 Regina Coeli School Governors  
 National Association of Head Teachers  
 Letter from Dr Suzanne Moffatt



# Oral evidence

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## Taken before the Education and Skills Committee

on Wednesday 25 June 2003

Members present:

Mr Barry Sheerman, in the Chair

Mr David Chaytor  
Valerie Davey  
Jeff Ennis

Paul Holmes  
Ms Meg Munn  
Mr Andrew Turner

### Memorandum submitted by the Department for Education and Skills

#### MAIN COMMENTARY ANSWERING QUESTIONS ON SCHOOL FUNDING

*Question 1. The percentage and cash change in overall SSA/FSS for education in each LEA between 2002–03 and 2003–04:*

- *full impact, excluding any “floors and ceilings” or other short-term limitations;*
- *including the effect of any floors and ceilings or other short-term limiting factors.*

1. A substantial amount of funding was transferred into the Education Formula Spending (EFS) total in addition to the general uplift of £1.3 billion. The transfers consist of £500 million transfer from DfES grant into EFS and Revenue Support Grant (RSG) and £586 million from HM Treasury in respect of the 4.75% of the increase in teachers’ pension contributions. The overall increase in Education Formula Spending is £2.5 billion or 11.2% (from £22,503 million in 2002–03 for the Education Standard Spending Assessment to £25,015 million: the EFS total for 2003–04).

2. There are two ways of looking at this increase: either at the raw changes, around the 11.2% national total, or at the changes on a “like-for-like” basis. This involves making additions to the 2002–03 baseline to create an “adjusted baseline” which represents the amount of funding each authority received in 2002–03 for their SSA, their grants which have transferred, and an estimate of the pension increase. This gives a national increase on a like-for-like basis of 6.5%. The department used these adjusted baselines in calculating the floors and ceilings of Education Formula Spending Shares for 2003–04 which gave every authority at least 3.2% increase per pupil on a like-for-like basis and a maximum of 7%.

3. We have provided the increase in EFSS for each authority in both ways. Table A sets out the adjusted increase. Table B sets out the unadjusted increase. Both tables have the same format and show the following information:

- (a) Column A shows the 2002–03 baseline. In Table A this is the adjusted baseline described above; in Annex B this is the SSA the authority received for 2002–03.
- (b) Column B shows the 2003–04 Education Formula Spending Share before floors and ceilings were applied.
- (c) Column C shows the cash increase between column A and column B. This is the increase before floors and ceilings.
- (d) Column D shows the percentage increase between column A and column B before floors and ceilings.
- (e) Column E shows the 2003–04 EFSS after floors and ceilings have been applied. Floors and ceilings are applied on a per pupil basis.
- (f) Column F shows the cash increase between column A and column E.
- (g) Column G shows the percentage increase between column A and column E.

4. Points to note from Table B are: a school transferred from Camden to Brent, thus giving Camden a seemingly low increase; and Bexley, Haringey and Middlesbrough all had one school becoming an academy, directly funded by DfES. This makes their unadjusted increase look low. The adjusted baseline in Table A takes these changes into account.

*Question 2. The estimated percentage and cash change in the SSA/FSS for schools in each LEA between 2002–03 and 2003–04 (i.e. the figure used by the Department to determine its expected “passporting” expenditure figure)*

5. This information is contained within Table C. In the 2002–03 SSAs, there was no distinction between the “Schools” funding and the LEA funding, as there is in the new Education Formula. In order to calculate the increase for passporting, the department calculated a hypothetical Schools SSA for 2002–03, by splitting the 2002–03 SSA according to the 2003–04 split between the LEA FSS and the Schools FSS. Thus:

- (a) Column A shows this hypothetical Schools SSA for 2002–03.
- (b) Column B shows the Schools FSS for 2003–04, after floors and ceilings have been applied.
- (c) Column C shows the cash increase between column A and column B (the implied increase in SFSS).
- (d) Column D shows the percentage increase between column A and column B.

6. These are all unadjusted increases, because passporting needed to ensure that the full increase in funding (general EFS uplift plus the transfers of grants and for pensions) reached Local Authorities Schools Budget for 2003–04.

*Question 3. For each authority, the difference between the increase in schools’ spending implied by the SSA/FSS increase (after the impact of floors and ceilings) and the overall increase in formula grant (for all services) between 2002–03 and 2003–04*

7. This information is also contained within Table C.

- (a) Column E shows the cash increase in formula grant for each authority between 2002–03 and 2003–04.
- (b) Column F shows the cash difference between column C (the cash increase in SFSS) and column E (the cash increase in formula grant). This has been done by simply taking the unadjusted RSG increase and comparing it with Q2 above. Revenue Support Grant is not the only source of funding. Providing funding for education is a shared responsibility. Central government provides the majority of funding—our plans allow for an increase in spending of £2.7 billion—but it is appropriate that local education authorities should also make a contribution and this will come mainly through Council Tax.

*Question 4. For each authority, the most up-to-date information about the difference between the increase in schools’ spending implied by the SSA/FSS increase for 2003–04 (after the impact of floors and ceilings) and the equivalent actual increase in the authority’s schools budget for 2003–04).*

8. Column G and H of Table C show the passporting figures that were published on 2 May. Column G shows the unadjusted passporting figures and column H shows the figures adjusted for authorities who saw their RSG allocation capped by the RSG ceiling.

The Department has been in dialogue with many of the non-passporters through their response to the letters the department sent out on 2 May.

**Table A**  
**INCREASES IN EFSS COMPARED TO ADJUSTED BASELINE**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (adjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G Total % increase</i>
Barking and Dagenham	100.118	105.920	5.802	5.8%	106.432	6.314	6.3%
Barnet	149.994	161.989	11.995	8.0%	161.443	11.449	7.6%
Barnsley	102.512	109.298	6.786	6.6%	109.298	6.786	6.6%
Bath & North East Somerset	69.025	74.783	5.758	8.3%	74.783	5.758	8.3%
Bedfordshire	184.506	192.497	7.991	4.3%	195.468	10.962	5.9%
Bexley	122.291	123.696	1.404	1.1%	126.488	4.197	3.4%
Birmingham	567.965	630.901	62.936	11.1%	611.093	43.128	7.6%
Blackburn	81.302	88.175	6.873	8.5%	87.347	6.045	7.4%
Blackpool	66.496	70.653	4.157	6.3%	70.653	4.157	6.3%
Bolton	133.806	147.568	13.762	10.3%	142.568	8.761	6.5%
Bournemouth	63.533	65.304	1.771	2.8%	65.856	2.323	3.7%
Bracknell Forest	46.466	49.414	2.948	6.3%	49.414	2.948	6.3%
Bradford	256.048	283.665	27.617	10.8%	271.815	15.767	6.2%
Brent	142.211	149.714	7.503	5.3%	149.714	7.503	5.3%
Brighton and Hove	99.535	96.710	(2.825)	– 2.8%	103.266	3.731	3.7%
Bromley	144.911	145.257	0.346	0.2%	153.335	8.425	5.8%
Buckinghamshire	220.139	233.056	12.918	5.9%	234.133	13.994	6.4%
Bury	85.082	92.268	7.186	8.4%	92.268	7.186	8.4%
Calderdale	99.581	106.521	6.940	7.0%	106.521	6.940	7.0%
Cambridgeshire	223.914	246.277	22.363	10.0%	246.277	22.363	10.0%
Camden	90.562	93.754	3.192	3.5%	93.754	3.192	3.5%
Cheshire	294.880	316.351	21.472	7.3%	316.351	21.472	7.3%
City of Bristol	151.839	165.888	14.049	9.3%	162.239	10.399	6.8%
City of Kingston upon Hull	132.953	139.163	6.210	4.7%	139.163	6.210	4.7%
City of London	1.072	1.567	0.494	46.1%	1.208	0.135	12.6%
Cornwall	218.320	232.347	14.027	6.4%	232.347	14.027	6.4%
Coventry	149.724	160.759	11.036	7.4%	159.414	9.691	6.5%
Croydon	170.882	177.670	6.788	4.0%	179.195	8.313	4.9%
Cumbria	217.001	234.790	17.789	8.2%	233.226	16.225	7.5%
Darlington	46.578	50.440	3.861	8.3%	50.355	3.777	8.1%
Derby	112.707	120.418	7.710	6.8%	120.418	7.710	6.8%

**Table A**  
**INCREASES IN EFSS COMPARED TO ADJUSTED BASELINE—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (adjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G Total % increase</i>
Derbyshire	320.186	345.041	24.856	7.8%	344.677	24.491	7.6%
Devon	285.438	305.810	20.372	7.1%	305.810	20.372	7.1%
Doncaster	148.273	158.244	9.970	6.7%	158.244	9.970	6.7%
Dorset	155.934	165.941	10.006	6.4%	166.542	10.608	6.8%
Dudley	142.581	159.149	16.568	11.6%	153.587	11.006	7.7%
Durham	226.646	240.962	14.315	6.3%	240.962	14.315	6.3%
Ealing	147.854	162.393	14.539	9.8%	159.914	12.059	8.2%
East Riding of Yorkshire	138.979	149.624	10.645	7.7%	149.624	10.645	7.7%
East Sussex	210.379	209.431	(0.948)	–0.5%	224.032	13.653	6.5%
Enfield	163.612	167.578	3.966	2.4%	171.527	7.914	4.8%
Essex	623.585	621.344	(2.241)	–0.4%	666.813	43.229	6.9%
Gateshead	85.839	90.588	4.749	5.5%	90.588	4.749	5.5%
Gloucestershire	247.403	263.692	16.289	6.6%	263.692	16.289	6.6%
Greenwich	140.780	152.304	11.524	8.2%	151.207	10.427	7.4%
Hackney	123.109	134.818	11.710	9.5%	132.150	9.042	7.3%
Halton	66.293	68.797	2.504	3.8%	68.797	2.504	3.8%
Hammersmith and Fulham	73.833	75.893	2.060	2.8%	76.252	2.419	3.3%
Hampshire	547.759	555.245	7.486	1.4%	580.127	32.367	5.9%
Haringey	129.439	132.817	3.378	2.6%	133.318	3.879	3.0%
Harrow	99.434	108.833	9.398	9.5%	108.298	8.864	8.9%
Hartlepool	48.555	52.686	4.131	8.5%	51.732	3.177	6.5%
Havering	118.192	118.225	0.033	0.0%	122.663	4.471	3.8%
Herefordshire	73.970	79.723	5.753	7.8%	79.723	5.753	7.8%
Hertfordshire	511.448	528.444	16.996	3.3%	537.570	26.122	5.1%
Hillingdon	126.956	138.905	11.948	9.4%	138.905	11.948	9.4%
Hounslow	118.696	127.645	8.949	7.5%	127.487	8.791	7.4%
Isle of Wight Council	61.840	63.374	1.534	2.5%	64.834	2.994	4.8%
Isles of Scilly	1.475	1.640	0.165	11.2%	1.572	0.097	6.6%
Islington	105.955	113.782	7.828	7.4%	113.782	7.828	7.4%
Kensington and Chelsea	47.387	46.990	(0.397)	–0.8%	50.674	3.287	6.9%
Kent	645.282	650.952	5.670	0.9%	688.026	42.744	6.6%



**Table A**  
**INCREASES IN EFSS COMPARED TO ADJUSTED BASELINE—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (adjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G Total % increase</i>
Kingston upon Thames	60.793	65.601	4.808	7.9%	65.601	4.808	7.9%
Kirklees	190.524	207.449	16.925	8.9%	205.956	15.432	8.1%
Knowsley	94.183	97.184	3.001	3.2%	97.184	3.001	3.2%
Lambeth	133.563	142.892	9.330	7.0%	142.892	9.330	7.0%
Lancashire	540.606	565.688	25.082	4.6%	565.688	25.082	4.6%
Leeds	324.484	345.966	21.482	6.6%	344.629	20.145	6.2%
Leicester	152.699	163.946	11.247	7.4%	163.946	11.247	7.4%
Leicestershire	261.786	278.061	16.275	6.2%	278.946	17.160	6.6%
Lewisham	146.883	157.132	10.249	7.0%	157.132	10.249	7.0%
Lincolnshire	292.192	314.323	22.131	7.6%	314.323	22.131	7.6%
Liverpool	252.337	262.079	9.742	3.9%	262.079	9.742	3.9%
Luton	106.568	113.660	7.093	6.7%	113.660	7.093	6.7%
Manchester	235.790	251.361	15.571	6.6%	250.240	14.449	6.1%
Medway	136.446	137.871	1.426	1.0%	141.401	4.956	3.6%
Merton	75.041	81.779	6.738	9.0%	80.649	5.608	7.5%
Middlesbrough	72.311	77.306	4.995	6.9%	75.619	3.307	4.6%
Milton Keynes	105.935	114.917	8.982	8.5%	114.917	8.982	8.5%
Newcastle upon Tyne	119.959	126.648	6.689	5.6%	126.648	6.689	5.6%
Newham	192.683	208.566	15.882	8.2%	208.566	15.882	8.2%
Norfolk	336.411	354.121	17.710	5.3%	355.408	18.997	5.6%
North East Lincolnshire	85.111	88.551	3.439	4.0%	88.551	3.439	4.0%
North Lincolnshire	76.209	80.349	4.140	5.4%	80.349	4.140	5.4%
North Somerset	77.590	83.098	5.508	7.1%	83.098	5.508	7.1%
North Tyneside	85.894	91.807	5.913	6.9%	91.795	5.901	6.9%
North Yorkshire	251.079	269.443	18.364	7.3%	269.443	18.364	7.3%
Northamptonshire	293.088	320.718	27.629	9.4%	320.718	27.629	9.4%
Northumberland	137.692	149.058	11.366	8.3%	147.578	9.885	7.2%
Nottingham City	130.550	141.426	10.876	8.3%	138.615	8.064	6.2%
Nottinghamshire	334.889	356.033	21.145	6.3%	356.033	21.145	6.3%
Oldham	123.335	135.665	12.331	10.0%	131.331	7.997	6.5%
Oxfordshire	256.910	268.644	11.734	4.6%	273.306	16.397	6.4%

**Table A**  
**INCREASES IN EFSS COMPARED TO ADJUSTED BASELINE—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (adjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G Total % increase</i>
Peterborough	88.321	96.554	8.234	9.3%	95.804	7.483	8.5%
Plymouth	118.609	122.004	3.395	2.9%	122.063	3.454	2.9%
Poole	54.639	56.974	2.335	4.3%	56.974	2.335	4.3%
Portsmouth	87.904	87.728	(0.176)	–0.2%	90.334	2.430	2.8%
Reading	53.379	59.717	6.338	11.9%	57.546	4.168	7.8%
Redbridge	133.593	140.860	7.266	5.4%	140.860	7.266	5.4%
Redcar and Cleveland	75.025	78.886	3.861	5.1%	78.886	3.861	5.1%
Richmond upon Thames	63.112	67.009	3.897	6.2%	67.451	4.339	6.9%
Rochdale	112.456	122.500	10.044	8.9%	120.110	7.654	6.8%
Rotherham	130.220	140.803	10.583	8.1%	140.803	10.583	8.1%
Rutland	14.407	15.991	1.584	11.0%	15.597	1.190	8.3%
Salford	108.291	114.533	6.242	5.8%	114.452	6.161	5.7%
Sandwell	152.766	171.763	18.996	12.4%	163.695	10.929	7.2%
Sefton	134.888	143.036	8.148	6.0%	143.036	8.148	6.0%
Sheffield	228.282	244.594	16.313	7.1%	244.594	16.313	7.1%
Shropshire	119.440	128.122	8.682	7.3%	128.122	8.682	7.3%
Slough	68.154	72.118	3.964	5.8%	72.180	4.026	5.9%
Solihull	101.711	108.733	7.022	6.9%	108.733	7.022	6.9%
Somerset	212.715	223.638	10.923	5.1%	226.566	13.852	6.5%
South Gloucestershire	107.656	118.357	10.701	9.9%	118.357	10.701	9.9%
South Tyneside	77.960	80.846	2.886	3.7%	80.846	2.886	3.7%
Southampton	104.130	103.361	(0.769)	–0.7%	106.872	2.742	2.6%
Southend	82.110	82.022	(0.089)	–0.1%	86.565	4.454	5.4%
Southwark	152.865	165.158	12.293	8.0%	165.158	12.293	8.0%
St Helens	85.935	92.302	6.366	7.4%	91.697	5.761	6.7%
Staffordshire	357.552	383.181	25.629	7.2%	383.181	25.629	7.2%
Stockport	122.767	131.572	8.805	7.2%	131.572	8.805	7.2%
Stockton-on-Tees	93.047	97.600	4.553	4.9%	97.600	4.553	4.9%
Stoke on Trent	115.273	123.743	8.470	7.3%	122.440	7.167	6.2%
Suffolk	284.250	303.357	19.107	6.7%	303.357	19.107	6.7%
Sunderland	142.362	150.164	7.802	5.5%	150.164	7.802	5.5%

**Table A**  
**INCREASES IN EFSS COMPARED TO ADJUSTED BASELINE—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (adjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G Total % increase</i>
Surrey	428.821	456.402	27.581	6.4%	456.402	27.581	6.4%
Sutton	91.580	95.589	4.009	4.4%	97.614	6.034	6.6%
Swindon	86.378	92.771	6.393	7.4%	92.771	6.393	7.4%
Tameside	112.135	119.899	7.764	6.9%	119.470	7.335	6.5%
The Wrekin	80.330	85.056	4.726	5.9%	85.056	4.726	5.9%
Thurrock	74.260	74.939	0.679	0.9%	78.641	4.382	5.9%
Torbay	55.278	58.176	2.898	5.2%	58.176	2.898	5.2%
Tower Hamlets	165.613	185.010	19.397	11.7%	176.716	11.103	6.7%
Trafford	101.005	107.136	6.130	6.1%	107.136	6.130	6.1%
Wakefield	149.032	161.843	12.811	8.6%	159.475	10.443	7.0%
Walsall	135.330	153.142	17.812	13.2%	144.376	9.046	6.7%
Waltham Forest	132.518	135.357	2.839	2.1%	137.772	5.254	4.0%
Wandsworth	108.261	118.346	10.085	9.3%	116.908	8.647	8.0%
Warrington	89.934	95.734	5.799	6.4%	95.734	5.799	6.4%
Warwickshire	215.384	235.089	19.705	9.1%	235.089	19.705	9.1%
West Berkshire	69.344	77.271	7.927	11.4%	76.271	6.926	10.0%
West Sussex	323.073	327.512	4.438	1.4%	343.725	20.651	6.4%
Westminster	76.611	83.904	7.293	9.5%	83.826	7.215	9.4%
Wigan	145.809	156.011	10.202	7.0%	155.742	9.934	6.8%
Wiltshire	186.877	204.482	17.605	9.4%	204.482	17.605	9.4%
Windsor & Maidenhead	58.758	61.883	3.125	5.3%	61.883	3.125	5.3%
Wirral	163.384	170.521	7.137	4.4%	170.521	7.137	4.4%
Wokingham	66.468	74.618	8.149	12.3%	73.327	6.859	10.3%
Wolverhampton	122.817	136.407	13.590	11.1%	131.449	8.632	7.0%
Worcestershire	224.736	238.182	13.446	6.0%	238.182	13.446	6.0%
York	69.341	72.280	2.940	4.2%	72.280	2.940	4.2%
Total	23,483.505	24,913.808	1,430.303	6.1%	25,013.909	1,530.404	6.5%

**Table B**  
**INCREASES IN EFSS ON AN ACTUAL SSA RECEIVED**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (unadjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G % increase</i>
Barking and Dagenham	96.889	105.920	9.031	9.3%	106.432	9.543	9.8%
Barnet	145.283	161.989	16.706	11.5%	161.443	16.160	11.1%
Barnsley	97.984	109.298	11.315	11.5%	109.298	11.315	11.5%
Bath & North East Somerset	65.834	74.783	8.948	13.6%	74.783	8.948	13.6%
Bedfordshire	175.766	192.497	16.731	9.5%	195.468	19.703	11.2%
Bexley	119.727	123.696	3.969	3.3%	126.488	6.762	5.6%
Birmingham	547.963	630.901	82.938	15.1%	611.093	63.130	11.5%
Blackburn	77.666	88.175	10.509	13.5%	87.347	9.681	12.5%
Blackpool	63.288	70.653	7.366	11.6%	70.653	7.366	11.6%
Bolton	128.976	147.568	18.592	14.4%	142.568	13.591	10.5%
Bournemouth	60.518	65.304	4.786	7.9%	65.856	5.337	8.8%
Bracknell Forest	43.889	49.414	5.525	12.6%	49.414	5.525	12.6%
Bradford	246.421	283.665	37.244	15.1%	271.815	25.394	10.3%
Brent	133.351	149.714	16.363	12.3%	149.714	16.363	12.3%
Brighton and Hove	94.765	96.710	1.945	2.1%	103.266	8.501	9.0%
Bromley	138.057	145.257	7.200	5.2%	153.335	15.279	11.1%
Buckinghamshire	208.516	233.056	24.540	11.8%	234.133	25.617	12.3%
Bury	81.040	92.268	11.228	13.9%	92.268	11.228	13.9%
Calderdale	95.057	106.521	11.464	12.1%	106.521	11.464	12.1%
Cambridgeshire	212.734	246.277	33.543	15.8%	246.277	33.543	15.8%
Camden	91.831	93.754	1.923	2.1%	93.754	1.923	2.1%
Cheshire	281.651	316.351	34.700	12.3%	316.351	34.700	12.3%
City of Bristol	145.955	165.888	19.933	13.7%	162.239	16.284	11.2%
City of Kingston upon Hull	128.348	139.163	10.815	8.4%	139.163	10.815	8.4%
City of London	1.016	1.567	0.550	54.1%	1.208	0.191	18.8%
Cornwall	207.965	232.347	24.382	11.7%	232.347	24.382	11.7%
Coventry	143.609	160.759	17.150	11.9%	159.414	15.805	11.0%
Croydon	165.281	177.670	12.389	7.5%	179.195	13.914	8.4%
Cumbria	208.538	234.790	26.252	12.6%	233.226	24.688	11.8%
Darlington	44.884	50.440	5.555	12.4%	50.355	5.471	12.2%
Derby	107.694	120.418	12.723	11.8%	120.418	12.723	11.8%

**Table B**  
**INCREASES IN EFSS ON AN ACTUAL SSA RECEIVED—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (unadjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G % increase</i>
Derbyshire	304.656	345.041	40.385	13.3%	344.677	40.021	13.1%
Devon	271.206	305.810	34.604	12.8%	305.810	34.604	12.8%
Doncaster	142.809	158.244	15.435	10.8%	158.244	15.435	10.8%
Dorset	147.437	165.941	18.503	12.6%	166.542	19.105	13.0%
Dudley	137.592	159.149	21.558	15.7%	153.587	15.996	11.6%
Durham	217.390	240.962	23.572	10.8%	240.962	23.572	10.8%
Ealing	142.773	162.393	19.620	13.7%	159.914	17.140	12.0%
East Riding of Yorkshire	132.453	149.624	17.171	13.0%	149.624	17.171	13.0%
East Sussex	200.595	209.431	8.836	4.4%	224.032	23.437	11.7%
Enfield	157.421	167.578	10.157	6.5%	171.527	14.105	9.0%
Essex	594.676	621.344	26.668	4.5%	666.813	72.138	12.1%
Gateshead	82.793	90.588	7.795	9.4%	90.588	7.795	9.4%
Gloucestershire	234.367	263.692	29.325	12.5%	263.692	29.325	12.5%
Greenwich	136.485	152.304	15.819	11.6%	151.207	14.722	10.8%
Hackney	118.650	134.818	16.169	13.6%	132.150	13.501	11.4%
Halton	63.310	68.797	5.486	8.7%	68.797	5.486	8.7%
Hammersmith and Fulham	71.459	75.893	4.434	6.2%	76.252	4.793	6.7%
Hampshire	519.792	555.245	35.453	6.8%	580.127	60.335	11.6%
Haringey	128.522	132.817	4.294	3.3%	133.318	4.796	3.7%
Harrow	95.327	108.833	13.506	14.2%	108.298	12.972	13.6%
Hartlepool	47.093	52.686	5.594	11.9%	51.732	4.640	9.9%
Havering	113.099	118.225	5.126	4.5%	122.663	9.564	8.5%
Herefordshire	70.498	79.723	9.225	13.1%	79.723	9.225	13.1%
Hertfordshire	492.779	528.444	35.666	7.2%	537.570	44.791	9.1%
Hillingdon	122.183	138.905	16.722	13.7%	138.905	16.722	13.7%
Hounslow	114.796	127.645	12.850	11.2%	127.487	12.691	11.1%
Isle of Wight Council	59.156	63.374	4.218	7.1%	64.834	5.678	9.6%
Isles of Scilly	1.421	1.640	0.218	15.4%	1.572	0.151	10.6%
Islington	102.674	113.782	11.109	10.8%	113.782	11.109	10.8%
Kensington and Chelsea	45.461	46.990	1.529	3.4%	50.674	5.214	11.5%
Kent	615.702	650.952	35.250	5.7%	688.026	72.324	11.7%

**Table B**  
**INCREASES IN EFSS ON AN ACTUAL SSA RECEIVED—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (unadjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G % increase</i>
Kingston upon Thames	58.219	65.601	7.382	12.7%	65.601	7.382	12.7%
Kirklees	181.541	207.449	25.908	14.3%	205.956	24.414	13.4%
Knowsley	91.945	97.184	5.239	5.7%	97.184	5.239	5.7%
Lambeth	128.970	142.892	13.922	10.8%	142.892	13.922	10.8%
Lancashire	515.742	565.688	49.946	9.7%	565.688	49.946	9.7%
Leeds	311.541	345.966	34.425	11.1%	344.629	33.088	10.6%
Leicester	146.833	163.946	17.112	11.7%	163.946	17.112	11.7%
Leicestershire	247.670	278.061	30.391	12.3%	278.946	31.277	12.6%
Lewisham	141.943	157.132	15.188	10.7%	157.132	15.188	10.7%
Lincolnshire	279.289	314.323	35.034	12.5%	314.323	35.034	12.5%
Liverpool	244.682	262.079	17.397	7.1%	262.079	17.397	7.1%
Luton	101.902	113.660	11.758	11.5%	113.660	11.758	11.5%
Manchester	228.616	251.361	22.745	9.9%	250.240	21.623	9.5%
Medway	129.748	137.871	8.123	6.3%	141.401	11.653	9.0%
Merton	72.137	81.779	9.642	13.4%	80.649	8.512	11.8%
Middlesbrough	73.911	77.306	3.395	4.6%	75.619	1.708	2.3%
Milton Keynes	101.141	114.917	13.776	13.6%	114.917	13.776	13.6%
Newcastle upon Tyne	115.325	126.648	11.323	9.8%	126.648	11.323	9.8%
Newham	187.411	208.566	21.155	11.3%	208.566	21.155	11.3%
Norfolk	319.965	354.121	34.157	10.7%	355.408	35.444	11.1%
North East Lincolnshire	81.652	88.551	6.899	8.4%	88.551	6.899	8.4%
North Lincolnshire	72.610	80.349	7.739	10.7%	80.349	7.739	10.7%
North Somerset	73.801	83.098	9.297	12.6%	83.098	9.297	12.6%
North Tyneside	83.086	91.807	8.721	10.5%	91.795	8.709	10.5%
North Yorkshire	238.707	269.443	30.736	12.9%	269.443	30.736	12.9%
Northamptonshire	280.442	320.718	40.275	14.4%	320.718	40.275	14.4%
Northumberland	132.272	149.058	16.786	12.7%	147.578	15.306	11.6%
Nottingham City	125.919	141.426	15.507	12.3%	138.615	12.695	10.1%
Nottinghamshire	321.193	356.033	34.841	10.8%	356.033	34.841	10.8%
Oldham	118.287	135.665	17.378	14.7%	131.331	13.044	11.0%
Oxfordshire	244.579	268.644	24.065	9.8%	273.306	28.728	11.7%

**Table B**  
**INCREASES IN EFSS ON AN ACTUAL SSA RECEIVED—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (unadjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G % increase</i>
Peterborough	84.253	96.554	12.301	14.6%	95.804	11.551	13.7%
Plymouth	112.898	122.004	9.106	8.1%	122.063	9.165	8.1%
Poole	51.693	56.974	5.281	10.2%	56.974	5.281	10.2%
Portsmouth	84.006	87.728	3.722	4.4%	90.334	6.328	7.5%
Reading	51.231	59.717	8.486	16.6%	57.546	6.316	12.3%
Redbridge	128.545	140.860	12.314	9.6%	140.860	12.314	9.6%
Redcar and Cleveland	72.760	78.886	6.125	8.4%	78.886	6.125	8.4%
Richmond upon Thames	60.366	67.009	6.643	11.0%	67.451	7.086	11.7%
Rochdale	107.301	122.500	15.199	14.2%	120.110	12.809	11.9%
Rotherham	124.664	140.803	16.139	12.9%	140.803	16.139	12.9%
Rutland	13.675	15.991	2.316	16.9%	15.597	1.922	14.1%
Salford	104.429	114.533	10.104	9.7%	114.452	10.023	9.6%
Sandwell	147.969	171.763	23.793	16.1%	163.695	15.726	10.6%
Sefton	129.628	143.036	13.408	10.3%	143.036	13.408	10.3%
Sheffield	219.061	244.594	25.534	11.7%	244.594	25.534	11.7%
Shropshire	113.686	128.122	14.436	12.7%	128.122	14.436	12.7%
Slough	65.789	72.118	6.330	9.6%	72.180	6.391	9.7%
Solihull	98.009	108.733	10.725	10.9%	108.733	10.725	10.9%
Somerset	201.714	223.638	21.923	10.9%	226.566	24.852	12.3%
South Gloucestershire	101.588	118.357	16.769	16.5%	118.357	16.769	16.5%
South Tyneside	75.521	80.846	5.324	7.1%	80.846	5.324	7.1%
Southampton	99.170	103.361	4.191	4.2%	106.872	7.702	7.8%
Southend	78.706	82.022	3.316	4.2%	86.565	7.859	10.0%
Southwark	147.899	165.158	17.259	11.7%	165.158	17.259	11.7%
St Helens	82.548	92.302	9.754	11.8%	91.697	9.149	11.1%
Staffordshire	341.713	383.181	41.468	12.1%	383.181	41.468	12.1%
Stockport	117.761	131.572	13.811	11.7%	131.572	13.811	11.7%
Stockton-on-Tees	89.792	97.600	7.808	8.7%	97.600	7.808	8.7%
Stoke on Trent	110.634	123.743	13.109	11.8%	122.440	11.806	10.7%
Suffolk	270.871	303.357	32.486	12.0%	303.357	32.486	12.0%
Sunderland	138.199	150.164	11.965	8.7%	150.164	11.965	8.7%

**Table B**  
**INCREASES IN EFSS ON AN ACTUAL SSA RECEIVED—continued**

<i>Monetary values in £ million LEA</i>	<i>Column A 2002–03 SSA (unadjusted)</i>	<i>Column B 2003–04 raw Education Formula Spending Share 1</i>	<i>Column C Cash increase</i>	<i>Column D % increase</i>	<i>Column E 2003–04 EFSS after floors and ceilings 2</i>	<i>Column F Cash increase</i>	<i>Column G % increase</i>
Surrey	408.314	456.402	48.088	11.8%	456.402	48.088	11.8%
Sutton	87.323	95.589	8.266	9.5%	97.614	10.291	11.8%
Swindon	82.110	92.771	10.661	13.0%	92.771	10.661	13.0%
Tameside	107.532	119.899	12.367	11.5%	119.470	11.938	11.1%
The Wrekin	76.413	85.056	8.642	11.3%	85.056	8.642	11.3%
Thurrock	71.354	74.939	3.585	5.0%	78.641	7.287	10.2%
Torbay	52.838	58.176	5.337	10.1%	58.176	5.337	10.1%
Tower Hamlets	161.752	185.010	23.258	14.4%	176.716	14.964	9.3%
Trafford	97.584	107.136	9.552	9.8%	107.136	9.552	9.8%
Wakefield	143.188	161.843	18.655	13.0%	159.475	16.287	11.4%
Walsall	131.352	153.142	21.790	16.6%	144.376	13.024	9.9%
Waltham Forest	127.870	135.357	7.488	5.9%	137.772	9.903	7.7%
Wandsworth	103.945	118.346	14.401	13.9%	116.908	12.963	12.5%
Warrington	85.742	95.734	9.992	11.7%	95.734	9.992	11.7%
Warwickshire	205.114	235.089	29.975	14.6%	235.089	29.975	14.6%
West Berkshire	66.131	77.271	11.140	16.8%	76.271	10.140	15.3%
West Sussex	307.713	327.512	19.798	6.4%	343.725	36.011	11.7%
Westminster	73.699	83.904	10.205	13.8%	83.826	10.127	13.7%
Wigan	138.839	156.011	17.171	12.4%	155.742	16.903	12.2%
Wiltshire	176.741	204.482	27.742	15.7%	204.482	27.742	15.7%
Windsor & Maidenhead	55.952	61.883	5.931	10.6%	61.883	5.931	10.6%
Wirral	156.840	170.521	13.681	8.7%	170.521	13.681	8.7%
Wokingham	63.034	74.618	11.584	18.4%	73.327	10.293	16.3%
Wolverhampton	119.004	136.407	17.403	14.6%	131.449	12.445	10.5%
Worcestershire	214.235	238.182	23.947	11.2%	238.182	23.947	11.2%
York	65.921	72.280	6.359	9.6%	72.280	6.359	9.6%
Total	22,502.768	24,913.808	2,411.040	10.7%	25,013.909	2,511.141	11.2%



TABLE C

<i>Monetary values in £ million LEA</i>	<i>Question B Column A Hypothetical 2002–03 SFSS share of SSA (unadjusted)</i>	<i>Question B Column B 2003–04 SFSS includes damping</i>	<i>Question B Column C Cash increase</i>	<i>Question B Column D % increase</i>	<i>Question C Column E Unadjusted RSG increase</i>	<i>Question C Column F Difference between SFSS increase and RSG increase</i>	<i>Question D Column G Passporting % at 2 May</i>	<i>Question D Column H Passporting adjusted for formula grant ceiling</i>
Barking and Dagenham	85.375	93.784	8.409	9.8%	13.877	5.468	100.1%	n/a
Barnet	129.964	144.420	14.456	11.1%	13.246	(1.210)	97.3%	n/a
Barnsley	86.567	96.563	9.996	11.5%	15.820	5.824	91.4%	n/a
Bath & North East Somerset	58.446	66.390	7.944	13.6%	11.781	3.837	102.2%	n/a
Bedfordshire	154.600	171.930	17.330	11.2%	25.315	7.985	100.1%	n/a
Bexley	107.023	113.067	6.044	5.6%	8.595	2.551	137.2%	n/a
Birmingham	485.068	540.953	55.884	11.5%	100.802	44.917	100.1%	105.3%
Blackburn	69.162	77.783	8.621	12.5%	12.972	4.351	100.3%	n/a
Blackpool	56.368	62.928	6.560	11.6%	9.540	2.980	104.5%	n/a
Bolton	115.532	127.707	12.175	10.5%	21.829	9.654	100.6%	103.7%
Bournemouth	53.892	58.645	4.753	8.8%	7.149	2.396	105.7%	n/a
Bracknell Forest	38.932	43.833	4.901	12.6%	6.088	1.187	101.5%	n/a
Bradford	217.780	240.222	22.442	10.3%	37.532	15.090	104.3%	n/a
Brent	116.849	131.187	14.338	12.3%	27.593	13.255	101.3%	n/a
Brighton and Hove	83.966	91.497	7.532	9.0%	11.648	4.116	103.7%	n/a
Bromley	124.024	137.749	13.726	11.1%	14.444	0.719	100.1%	n/a
Buckinghamshire	183.868	206.457	22.589	12.3%	28.304	5.716	113.4%	n/a
Bury	72.658	82.725	10.067	13.9%	14.165	4.098	99.2%	115.7%
Calderdale	84.174	94.326	10.151	12.1%	15.648	5.496	100.0%	n/a
Cambridgeshire	184.927	214.086	29.159	15.8%	36.638	7.479	100.7%	113.0%
Camden	80.058	81.735	1.676	2.1%	6.571	4.895	120.5%	n/a
Cheshire	249.404	280.131	30.727	12.3%	42.732	12.005	100.3%	n/a
City of Bristol	128.758	143.123	14.365	11.2%	25.096	10.731	100.4%	n/a
City of Kingston upon Hull	113.343	122.893	9.550	8.4%	14.305	4.755	100.2%	n/a
City of London	0.667	0.793	0.126	18.8%	7.204	7.079	100.2%	208.3%
Cornwall	180.304	201.443	21.139	11.7%	29.459	8.321	105.0%	n/a
Coventry	127.195	141.193	13.998	11.0%	26.013	12.015	101.0%	106.2%
Croydon	147.028	159.405	12.377	8.4%	14.532	2.155	90.2%	n/a
Cumbria	179.211	200.427	21.216	11.8%	24.641	3.425	100.6%	n/a
Darlington	39.530	44.349	4.819	12.2%	7.605	2.787	114.3%	116.1%
Derby	95.552	106.841	11.289	11.8%	16.054	4.766	101.2%	n/a

TABLE C—continued

<i>Monetary values in £ million LEA</i>	<i>Question B Column A Hypothetical 2002–03 SFSS share of SSA (unadjusted)</i>	<i>Question B Column B 2003–04 SFSS includes damping</i>	<i>Question B Column C Cash increase</i>	<i>Question B Column D % increase</i>	<i>Question C Column E Unadjusted RSG increase</i>	<i>Question C Column F Difference between SFSS increase and RSG increase</i>	<i>Question D Column G Passporting % at 2 May</i>	<i>Question D Column H Passporting adjusted for formula grant ceiling</i>
Derbyshire	267.500	302.640	35.140	13.1%	50.130	14.990	104.9%	n/a
Devon	233.387	263.165	29.779	12.8%	32.323	2.544	104.1%	n/a
Doncaster	124.906	138.406	13.500	10.8%	23.861	10.361	102.2%	104.7%
Dorset	128.348	144.979	16.631	13.0%	17.069	0.438	113.1%	n/a
Dudley	123.622	137.993	14.372	11.6%	22.985	8.613	100.6%	107.9%
Durham	190.379	211.022	20.643	10.8%	33.279	12.636	107.8%	n/a
Ealing	125.999	141.125	15.127	12.0%	19.136	4.009	100.3%	n/a
East Riding of Yorkshire	115.114	130.037	14.923	13.0%	22.825	7.901	102.5%	104.1%
East Sussex	176.687	197.330	20.643	11.7%	23.294	2.651	105.1%	n/a
Enfield	139.868	152.400	12.532	9.0%	16.378	3.846	109.8%	n/a
Essex	525.955	589.756	63.801	12.1%	63.544	(0.257)	99.2%	n/a
Gateshead	73.041	79.918	6.877	9.4%	10.674	3.797	99.2%	n/a
Gloucestershire	205.973	231.745	25.772	12.5%	37.664	11.892	100.6%	n/a
Greenwich	119.971	132.912	12.940	10.8%	22.667	9.726	100.8%	n/a
Hackney	103.270	115.021	11.751	11.4%	25.281	13.530	104.5%	109.3%
Halton	55.636	60.457	4.821	8.7%	10.872	6.051	117.0%	n/a
Hammersmith and Fulham	62.787	66.999	4.211	6.7%	7.962	3.751	107.0%	n/a
Hampshire	462.899	516.630	53.731	11.6%	57.434	3.704	105.1%	n/a
Haringey	111.977	116.155	4.178	3.7%	9.430	5.251	100.0%	n/a
Harrow	84.938	96.496	11.558	13.6%	13.708	2.150	99.8%	n/a
Hartlepool	41.441	45.524	4.083	9.9%	7.550	3.467	102.2%	n/a
Havering	101.418	109.994	8.576	8.5%	11.442	2.866	112.8%	n/a
Herefordshire	59.911	67.750	7.840	13.1%	9.284	1.444	97.3%	n/a
Hertfordshire	440.407	480.438	40.031	9.1%	45.216	5.185	103.5%	n/a
Hillingdon	108.975	123.889	14.914	13.7%	17.237	2.323	100.1%	n/a
Hounslow	101.707	112.951	11.244	11.1%	14.483	3.239	105.4%	n/a
Isle of Wight Council	51.425	56.361	4.936	9.6%	6.720	1.785	106.4%	n/a
Isles of Scilly	0.912	1.008	0.097	10.6%	0.256	0.160	83.4%	n/a
Islington	89.553	99.242	9.689	10.8%	13.031	3.341	101.1%	n/a
Kensington and Chelsea	40.227	44.841	4.614	11.5%	6.801	2.187	101.1%	n/a
Kent	544.794	608.788	63.995	11.7%	66.808	2.813	100.5%	n/a

TABLE C—continued

<i>Monetary values in £ million LEA</i>	<i>Question B Column A Hypothetical 2002–03 SFSS share of SSA (unadjusted)</i>	<i>Question B Column B 2003–04 SFSS includes damping</i>	<i>Question B Column C Cash increase</i>	<i>Question B Column D % increase</i>	<i>Question C Column E Unadjusted RSG increase</i>	<i>Question C Column F Difference between SFSS increase and RSG increase</i>	<i>Question D Column G Passporting % at 2 May</i>	<i>Question D Column H Passporting adjusted for formula grant ceiling</i>
Kingston upon Thames	51.964	58.552	6.589	12.7%	7.371	0.782	101.0%	n/a
Kirklees	161.540	183.265	21.725	13.4%	29.586	7.862	101.4%	n/a
Knowsley	80.011	84.570	4.559	5.7%	15.013	10.455	104.4%	n/a
Lambeth	112.228	124.343	12.115	10.8%	16.835	4.720	104.4%	n/a
Lancashire	456.693	500.920	44.227	9.7%	62.527	18.300	103.0%	n/a
Leeds	276.984	306.401	29.417	10.6%	44.205	14.788	106.1%	n/a
Leicester	130.724	145.959	15.235	11.7%	24.959	9.724	100.0%	n/a
Leicestershire	219.274	246.965	27.691	12.6%	36.036	8.345	100.0%	n/a
Lewisham	122.646	135.769	13.124	10.7%	25.680	12.557	101.6%	105.6%
Lincolnshire	240.983	271.211	30.228	12.5%	41.261	11.032	100.9%	n/a
Liverpool	212.999	228.143	15.144	7.1%	40.365	25.220	94.9%	n/a
Luton	90.620	101.077	10.456	11.5%	17.197	6.740	102.7%	104.8%
Manchester	199.212	218.054	18.842	9.5%	34.130	15.287	98.4%	n/a
Medway	115.353	125.712	10.360	9.0%	17.422	7.062	120.7%	n/a
Merton	64.274	71.858	7.584	11.8%	10.301	2.717	101.6%	n/a
Middlesbrough	63.531	64.998	1.468	2.3%	3.439	1.971	119.0%	n/a
Milton Keynes	89.212	101.363	12.151	13.6%	17.137	4.986	100.9%	105.8%
Newcastle upon Tyne	100.792	110.688	9.896	9.8%	18.284	8.388	102.1%	n/a
Newham	165.087	183.722	18.635	11.3%	27.522	8.887	95.7%	n/a
Norfolk	276.831	307.497	30.666	11.1%	46.505	15.839	103.1%	n/a
North East Lincolnshire	72.116	78.209	6.093	8.4%	13.033	6.940	105.3%	n/a
North Lincolnshire	63.385	70.141	6.756	10.7%	11.868	5.113	100.3%	n/a
North Somerset	65.342	73.573	8.231	12.6%	13.230	4.998	113.3%	114.6%
North Tyneside	74.012	81.770	7.758	10.5%	11.929	4.171	98.8%	n/a
North Yorkshire	203.362	229.547	26.185	12.9%	30.485	4.300	101.1%	n/a
Northamptonshire	247.271	282.783	35.511	14.4%	45.253	9.741	99.3%	110.3%
Northumberland	114.017	127.211	13.194	11.6%	15.714	2.521	98.1%	n/a
Nottingham City	109.690	120.749	11.059	10.1%	17.880	6.821	114.0%	n/a
Nottinghamshire	284.152	314.974	30.823	10.8%	48.439	17.616	106.6%	n/a
Oldham	105.769	117.433	11.664	11.0%	20.359	8.695	100.2%	n/a
Oxfordshire	214.509	239.705	25.196	11.7%	32.310	7.114	100.0%	n/a

TABLE C—continued

<i>Monetary values in £ million LEA</i>	<i>Question B Column A Hypothetical 2002–03 SFSS share of SSA (unadjusted)</i>	<i>Question B Column B 2003–04 SFSS includes damping</i>	<i>Question B Column C Cash increase</i>	<i>Question B Column D % increase</i>	<i>Question C Column E Unadjusted RSG increase</i>	<i>Question C Column F Difference between SFSS increase and RSG increase</i>	<i>Question D Column G Passporting % at 2 May</i>	<i>Question D Column H Passporting adjusted for formula grant ceiling</i>
Peterborough	74.515	84.731	10.216	13.7%	14.401	4.185	100.2%	117.2%
Plymouth	100.137	108.266	8.129	8.1%	13.158	5.028	108.0%	n/a
Poole	45.972	50.669	4.697	10.2%	6.110	1.414	100.9%	n/a
Portsmouth	74.510	80.122	5.613	7.5%	9.932	4.319	100.2%	n/a
Reading	44.867	50.398	5.531	12.3%	10.223	4.692	102.3%	112.0%
Redbridge	114.709	125.698	10.989	9.6%	14.643	3.654	103.2%	n/a
Redcar and Cleveland	64.387	69.808	5.421	8.4%	11.702	6.281	101.6%	103.8%
Richmond upon Thames	54.302	60.676	6.374	11.7%	6.530	0.156	109.2%	n/a
Rochdale	95.464	106.860	11.396	11.9%	19.207	7.811	112.1%	113.7%
Rotherham	110.855	125.206	14.351	12.9%	21.966	7.615	106.9%	n/a
Rutland	11.583	13.210	1.628	14.1%	1.971	0.343	101.5%	n/a
Salford	92.676	101.570	8.895	9.6%	15.198	6.303	102.3%	n/a
Sandwell	131.436	145.405	13.969	10.6%	25.740	11.771	101.4%	108.9%
Sefton	115.571	127.525	11.954	10.3%	22.567	10.613	95.5%	100.3%
Sheffield	194.145	216.775	22.630	11.7%	35.435	12.806	100.1%	n/a
Shropshire	97.269	109.620	12.351	12.7%	15.216	2.865	106.8%	n/a
Slough	58.428	64.104	5.676	9.7%	10.744	5.068	106.9%	108.4%
Solihull	88.057	97.692	9.636	10.9%	13.482	3.846	114.6%	n/a
Somerset	176.012	197.697	21.685	12.3%	30.524	8.838	100.0%	n/a
South Gloucestershire	90.152	105.034	14.881	16.5%	17.915	3.034	93.0%	102.0%
South Tyneside	66.904	71.620	4.717	7.1%	11.262	6.545	109.0%	n/a
Southampton	88.025	94.861	6.836	7.8%	11.753	4.916	122.1%	n/a
Southend	69.901	76.881	6.980	10.0%	9.240	2.261	100.0%	n/a
Southwark	130.277	145.480	15.203	11.7%	28.978	13.775	109.6%	114.7%
St Helens	73.059	81.156	8.097	11.1%	14.934	6.837	112.1%	120.6%
Staffordshire	303.104	339.887	36.783	12.1%	50.286	13.504	106.2%	n/a
Stockport	106.037	118.473	12.436	11.7%	17.298	4.862	100.1%	n/a
Stockton-on-Tees	79.655	86.582	6.926	8.7%	12.587	5.661	100.9%	n/a
Stoke on Trent	98.278	108.766	10.488	10.7%	17.258	6.770	99.5%	n/a
Suffolk	236.313	264.654	28.341	12.0%	39.255	10.913	100.4%	n/a
Sunderland	122.410	133.008	10.598	8.7%	19.701	9.103	98.0%	n/a

TABLE C—continued

<i>Monetary values in £ million LEA</i>	<i>Question B Column A Hypothetical 2002–03 SFSS share of SSA (unadjusted)</i>	<i>Question B Column B 2003–04 SFSS includes damping</i>	<i>Question B Column C Cash increase</i>	<i>Question B Column D % increase</i>	<i>Question C Column E Unadjusted RSG increase</i>	<i>Question C Column F Difference between SFSS increase and RSG increase</i>	<i>Question D Column G Passporting % at 2 May</i>	<i>Question D Column H Passporting adjusted for formula grant ceiling</i>
Surrey	366.177	409.302	43.126	11.8%	48.126	5.001	103.0%	n/a
Sutton	78.107	87.311	9.205	11.8%	13.148	3.943	100.1%	n/a
Swindon	72.746	82.191	9.445	13.0%	13.728	4.283	100.2%	n/a
Tameside	96.214	106.896	10.682	11.1%	18.979	8.297	102.7%	105.4%
The Wrekin	67.330	74.945	7.615	11.3%	13.605	5.990	105.6%	129.6%
Thurrock	63.336	69.804	6.469	10.2%	11.421	4.952	105.4%	107.6%
Torbay	46.817	51.546	4.729	10.1%	7.785	3.056	109.1%	n/a
Tower Hamlets	141.518	154.611	13.092	9.3%	28.421	15.329	103.3%	107.0%
Trafford	87.506	96.071	8.565	9.8%	12.680	4.115	89.9%	n/a
Wakefield	127.523	142.028	14.505	11.4%	24.466	9.961	103.6%	n/a
Walsall	117.317	128.949	11.632	9.9%	21.534	9.902	102.1%	104.6%
Waltham Forest	113.116	121.876	8.760	7.7%	12.851	4.090	101.0%	n/a
Wandsworth	91.867	103.324	11.457	12.5%	12.496	1.039	92.9%	n/a
Warrington	76.899	85.861	8.962	11.7%	14.504	5.542	107.4%	111.0%
Warwickshire	180.852	207.282	26.429	14.6%	33.044	6.615	101.0%	106.7%
West Berkshire	58.213	67.139	8.926	15.3%	10.146	1.220	92.2%	102.6%
West Sussex	274.164	306.249	32.085	11.7%	36.141	4.056	99.0%	n/a
Westminster	65.202	74.161	8.959	13.7%	11.070	2.111	73.8%	n/a
Wigan	124.289	139.421	15.132	12.2%	25.195	10.064	106.7%	114.2%
Wiltshire	152.863	176.857	23.994	15.7%	30.360	6.366	97.5%	105.7%
Windsor & Maidenhead	49.729	55.001	5.271	10.6%	5.986	0.715	100.0%	n/a
Wirral	138.469	150.548	12.079	8.7%	25.662	13.584	100.0%	n/a
Wokingham	56.093	65.252	9.160	16.3%	9.639	0.479	88.3%	109.2%
Wolverhampton	104.566	115.501	10.935	10.5%	20.890	9.955	102.9%	108.5%
Worcestershire	190.028	211.269	21.241	11.2%	28.372	7.131	103.5%	n/a
York	58.499	64.142	5.643	9.6%	9.242	3.599	110.4%	n/a
Total	19,856.277	22,071.692	2,215.415	11.2%	2,215.415	(0.000)		

TABLE D

LEA	Passporting	Pupil numbers for information	Devolved funding for schools				School Funding Retained Centrally			Unallocated Funding		Variation in school increases within authority
	Question 1 (a) Passporting % <sup>1</sup>	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Barking and Dagenham	100.1%	3.0%	10.7%	6.6%	-4.1%	3.6	11.6%	338.2%	0.0	0.8	Not available	Not available
Barnet	97.3%	0.6%	9.4%	7.4%	-2.0%	2.8	10.4%	51.5%	0.0	1.1	Not available	Not available
Barnsley	91.4%	0.5%	7.8%	6.2%	-1.6%	1.4	36.3%	113.0%	1.4	0.0	2.3	7.4%
Bath and North East Somerset	102.2%	2.3%	9.2%	8.7%	-0.5%	0.3	28.7%	42.0%	0.5	0.0	5.3	5.9%
Bedfordshire	100.1%	2.7%	8.3%	6.6%	-1.8%	2.9	46.4%	13.3%	0.9	0.1	5.1	11.0%
Bexley	137.2%	-1.6%	10.5%	8.2%	-2.4%	2.3	34.1%	5.1%	1.1	0.5	2.4	6.8%
Birmingham	105.3%*	0.6%	9.6%	9.1%	-0.5%	2.8	19.5%	25.4%	2.0	3.0	20.3	5.2%
Blackburn with Darwen	100.3%	0.4%	9.6%	7.8%	-1.8%	1.2	44.8%	87.9%	0.7	0.1	1.1	7.3%
Blackpool	104.5%	1.4%	9.9%	7.9%	-1.9%	1.0	45.8%	-2.3%	0.3	0.2	0.5	4.0%
Bolton	103.7%*	-0.4%	9.4%	7.7%	-1.8%	2.0	-6.7%	91.8%	1.1	0.2	1.2	4.8%
Bournemouth	105.7%	0.4%	6.6%	3.7%	-2.9%	1.5	33.9%	40.4%	0.3	0.2	1.0	3.7%
Bracknell Forest	101.5%	0.8%	9.5%	8.6%	-0.8%	0.3	12.8%	27.0%	0.3	0.0	0.5	7.6%
Bradford	104.3%	-0.8%	10.3%	8.8%	-1.6%	3.5	23.7%	80.7%	0.3	0.8	11.7	7.5%
Brent	101.3%	3.4%	13.7%	14.0%	0.3%		5.3%	20.2%	0.0	0.3	2.8	4.8%
Brighton and Hove	103.7%	0.5%	6.6%	4.7%	-1.8%	1.5	17.0%	89.1%	1.1	0.6	3.4	4.6%
Bristol, City of	100.4%	-0.1%	8.6%	7.1%	-1.4%	1.9	43.0%	25.5%	0.9	0.0	2.5	5.8%
Bromley	100.1%	2.5%	9.6%	10.4%	0.8%		7.2%	8.0%	0.1	0.1	4.8	4.3%
Buckinghamshire	113.4%	3.1%	12.8%	11.4%	-1.4%	2.5	38.5%	8.8%	4.4	0.3	9.8	10.2%
Bury	115.7%*	1.6%	10.7%	11.0%	0.3%		3.4%	19.0%	0.0	0.7	0.2	10.6%
Calderdale	100.0%	0.6%	9.1%	8.1%	-0.9%	0.8	14.4%	5.4%	1.3	0.6	2.4	9.4%
Cambridgeshire	113.0%*	2.9%	11.9%	8.5%	-3.3%	6.1	52.8%	9.1%	0.4	2.6	0.0	8.2%

TABLE D—continued

LEA	Passporting	Pupil numbers for information	Devolved funding for schools			School Funding Retained Centrally				Unallocated Funding		Variation in school increases within authority
	Question 1 (a) Passporting % <sup>1</sup>	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Camden	120.5%	-5.6%	4.9%	1.9%	-3.0%	2.5	61.2%	-12.5%	1.5	0.1	5.6	3.9%
Cheshire	100.3%	1.6%	9.4%	6.6%	-2.8%	7.3	41.7%	194.4%	2.3	3.7	6.5	7.5%
Cornwall	105.0%	1.9%	8.9%	6.8%	-2.1%	3.7	13.9%	38.7%	2.0	0.3	1.1	9.8%
Coventry	106.2%*	-0.5%	8.3%	6.4%	-1.9%	2.5	14.2%	247.8%	0.0	0.1	3.1	4.9%
Croydon	90.2%	1.6%	6.6%	3.5%	-3.1%	4.2	40.2%	24.3%	3.3	0.0	6.3	Not available
Cumbria	100.6%	0.4%	8.8%	7.4%	-1.5%	2.8	7.2%	21.4%	5.1	0.0	0.0	10.1%
Darlington	116.1%*	1.0%	12.4%	9.8%	-2.7%	1.0	3.3%	17.6%	0.0	0.3	0.7	8.3%
Derby	101.2%	0.8%	9.8%	9.6%	-0.2%	0.2	-2.2%	96.2%	0.8	0.1	1.4	15.7%
Derbyshire	104.9%	0.6%	10.3%	9.8%	-0.5%	1.3	13.5%	19.0%	3.1	0.3	12.7	10.3%
Devon	104.1%	2.4%	10.0%	8.8%	-1.2%	2.8	20.3%	57.9%	1.7	1.2	0.0	7.4%
Doncaster	104.7%*	-0.1%	9.2%	7.0%	-2.2%	2.9	14.0%	119.4%	2.3	0.1	1.5	4.9%
Dorset	113.1%	3.5%	9.1%	8.3%	-0.9%	1.2	13.0%	25.6%	0.1	0.2	4.3	6.7%
Dudley	107.9%*	0.7%	10.0%	9.1%	-0.9%	1.1	9.5%	28.8%	0.1	0.2	1.5	4.3%
Durham	107.8%	0.0%	9.9%	8.4%	-1.4%	2.8	14.5%	197.2%	3.6	0.1	3.8	6.7%
Ealing	100.3%	1.1%	10.8%	10.0%	-0.8%	1.0	3.6%	35.1%	1.2	0.9	2.2	5.7%
East Riding of Yorkshire	104.1%*	2.7%	9.3%	7.9%	-1.4%	1.7	140.4%	21.9%	1.2	0.1	6.8	9.1%
East Sussex	105.1%	3.2%	9.8%	9.2%	-0.6%	1.0	3.4%	100.0%	3.0	0.7	1.4	Not available
Enfield	109.8%	1.6%	9.6%	9.4%	-0.2%	0.2	6.7%	25.8%	0.5	0.4	2.2	4.6%
Essex	99.2%	3.6%	9.0%	7.8%	-1.2%	6.3	15.8%	64.3%	1.0	0.0	21.2	6.0%
Gateshead	99.2%	-1.1%	9.1%	7.2%	-1.8%	1.3	15.0%	36.1%	0.7	0.9	2.5	6.1%
Gloucestershire	100.6%	1.6%	8.5%	11.0%	2.5%		-19.4%	33.5%	1.9	0.9	4.7	7.8%
Greenwich	100.8%	0.4%	10.4%	8.8%	-1.6%	1.9	30.7%	90.0%	1.5	0.5	7.8	5.2%
Hackney	109.3%*	0.3%	10.9%	7.5%	-3.5%	3.0	15.5%	149.6%	1.2	0.0	1.1	4.3%

TABLE D—continued

	Passporting	Pupil numbers for information	Devolved funding for schools				School Funding Retained Centrally			Unallocated Funding		Variation in school increases within authority
LEA	Question 1 (a) Passporting %	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Halton	117.0%	-1.2%	9.2%	7.3%	-1.9%	1.0	14.7%	426.6%	0.3	0.0	0.6	8.2%
Hammersmith and Fulham	107.0%	0.1%	9.4%	4.9%	-4.4%	2.6	81.2%	60.8%	1.7	0.1	2.6	4.6%
Hampshire	105.1%	2.6%	8.9%	9.0%	0.1%		8.0%	23.1%	9.1	0.3	13.3	6.7%
Haringey	100.0%	-2.7%	4.0%	2.3%	-1.7%	1.8	14.0%	47.7%	0.7	0.0	4.0	5.4%
Harrow	99.8%	1.8%	11.3%	8.7%	-2.6%	2.1	37.9%	25.3%	0.1	0.4	2.1	5.9%
Hartlepool	102.2%	-0.4%	11.0%	8.1%	-2.9%	1.2	35.3%	66.6%	0.7	0.1	3.0	5.7%
Havering	112.8%	0.6%	8.3%	8.1%	-0.2%	0.2	-0.3%	32.5%	0.6	0.0	3.7	3.6%
Herefordshire	97.3%	2.4%	10.3%	8.1%	-2.2%	1.2	52.5%	20.4%	0.1	0.1	1.5	8.9%
Hertfordshire	103.5%	1.8%	8.9%	8.6%	-0.2%	1.1	11.2%	49.6%	9.1	1.8	17.5	6.9%
Hillingdon	100.1%	3.0%	11.0%	10.9%	-0.1%	0.1	-4.9%	-90.3%	0.6	0.1	0.8	5.6%
Hounslow	105.4%	0.4%	11.4%	10.2%	-1.2%	1.3	10.5%	14.2%	0.0	0.1	2.6	Not available
Isle of Wight	106.4%	1.6%	7.8%	5.6%	-2.2%	1.1	18.1%	45.7%	0.3	0.0	1.0	6.2%
Islington	101.1%	0.6%	11.2%	11.9%	0.7%		15.6%	20.8%	0.7	0.0	3.9	4.1%
Kensington and Chelsea	101.1%	3.6%	9.5%	5.9%	-3.6%	1.5	689.8%	6.4%	0.8	0.1	0.3	4.9%
Kent	100.5%	3.3%	9.3%	8.4%	-0.9%	4.7	42.7%	7.3%	1.4	0.5	18.5	5.6%
Kingston Upon Hull, City of	100.2%	-1.5%	7.9%	8.7%	0.8%		17.2%	9.6%	0.0	0.0	7.6	Not available
Kingston upon Thames	101.0%	1.7%	10.1%	9.8%	-0.4%	0.2	25.5%	-13.1%	0.0	0.3	0.4	Not available
Kirklees	101.4%	1.0%	10.3%	9.1%	-1.2%	1.9	9.6%	248.4%	0.0	0.4	4.3	7.5%
Knowsley	104.4%	-1.8%	6.7%	3.8%	-3.0%	2.3	55.9%	437.4%	0.6	0.0	0.9	14.7%
Lambeth	104.4%	3.0%	11.4%	10.6%	-0.8%	0.8	6.0%	62.5%	0.9	0.5	1.7	9.4%
Lancashire	103.0%	0.2%	7.1%	5.3%	-1.8%	8.2	45.8%	45.2%	3.2	1.3	1.3	6.0%



TABLE D—continued

	Passporting	Pupil numbers for information	Devolved funding for schools			School Funding Retained Centrally			Unallocated Funding		Variation in school increases within authority	
LEA	Question 1 (a) Passporting % <sup>1</sup>	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Leeds	106.1%	-0.7%	10.1%	8.4%	-1.7%	5.1	4.8%	118.4%	0.0	0.4	9.3	6.6%
Leicester	100.0%	0.5%	10.4%	9.2%	-1.1%	1.4	54.4%	55.3%	3.0	0.7	6.0	8.7%
Leicestershire	100.0%	3.3%	7.7%	10.1%	2.4%		-23.9%	28.3%	1.3	0.3	8.1	9.6%
Lewisham	105.6%*	0.2%	9.2%	9.1%	-0.2%	0.2	24.8%	35.9%	2.6	0.3	3.5	4.1%
Lincolnshire	100.9%	3.2%	9.8%	9.6%	-0.2%	0.5	0.4%	45.9%	6.0	0.0	8.0	8.1%
Liverpool	94.9%	-1.5%	5.9%	6.8%	0.9%		-9.3%	98.4%	1.6	1.1	6.2	8.8%
Luton	104.8%*	1.4%	9.7%	8.3%	-1.4%	1.2	-2.8%	152.7%	0.0	0.1	7.1	6.5%
Manchester	98.4%	-0.8%	8.9%	6.3%	-2.6%	5.0	59.0%	6.8%	3.4	0.8	6.1	5.6%
Medway	120.7%	0.4%	10.0%	8.9%	-1.1%	1.3	23.2%	42.4%	0.2	0.3	4.6	6.1%
Merton	101.6%	0.4%	10.0%	7.7%	-2.3%	1.4	17.3%	84.2%	0.4	0.5	0.8	13.8%
Middlesbrough	119.0%	-7.1%	3.9%	-0.9%	-4.8%	2.9	41.7%	68.1%	3.2	0.0	1.2	7.6%
Milton Keynes	105.8%*	4.8%	11.7%	10.0%	-1.6%	1.5	1.9%	44.9%	0.8	0.2	2.6	7.7%
Newcastle upon Tyne	102.1%	-0.4%	9.0%	6.9%	-2.1%	2.1	20.8%	37.4%	0.9	0.5	1.3	5.9%
Newham	95.7%	1.8%	10.4%	12.4%	2.0%		18.2%	3.7%	3.5	1.0	2.7	5.1%
Norfolk	103.1%	2.4%	8.1%	6.6%	-1.4%	4.0	14.2%	44.1%	3.4	0.8	10.7	8.7%
North East Lincolnshire	105.3%	0.1%	9.5%	4.4%	-5.0%	3.5	112.5%	-23.1%	0.4	0.3	1.6	8.4%
North Lincolnshire	100.3%	0.7%	7.5%	4.8%	-2.7%	1.6	32.0%	21.2%	0.8	0.0	4.2	6.9%
North Somerset	114.6%*	3.4%	11.8%	12.3%	0.5%		-21.2%	-4.4%	1.0	0.2	1.5	7.1%
North Tyneside	98.8%	-0.1%	9.0%	6.8%	-2.1%	1.6	6.3%	53.7%	0.5	1.1	1.3	7.2%
North Yorkshire	101.1%	0.4%	8.3%	6.0%	-2.2%	5.0	37.7%	-21.1%	4.3	1.2	1.5	Not available
Northamptonshire	110.3%*	2.5%	11.6%	10.3%	-1.3%	3.4	10.6%	32.4%	0.0	3.3	4.5	10.2%

TABLE D—continued

LEA	Passporting	Pupil numbers for information	Devolved funding for schools				School Funding Retained Centrally			Unallocated Funding		Variation in school increases within authority
	Question 1 (a) Passporting % <sup>1</sup>	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Northumberland	98.1%	0.2%	8.4%	7.1%	−1.3%	1.6	29.7%	−25.8%	0.0	0.0	2.9	Not available
Nottingham	114.0%	−0.8%	11.1%	9.3%	−1.9%	2.1	18.7%	45.0%	1.6	0.0	6.3	9.3%
Nottinghamshire	106.6%	1.0%	11.1%	9.6%	−1.5%	4.3	13.7%	88.9%	2.7	0.1	2.5	7.4%
Oldham	100.2%	−0.5%	8.5%	6.2%	−2.4%	2.5	15.8%	349.2%	1.0	0.2	4.1	6.6%
Oxfordshire	100.0%	3.1%	8.7%	8.3%	−0.4%	0.8	26.9%	8.7%	5.7	0.2	2.0	15.9%
Peterborough	117.2%*	1.4%	10.2%	9.3%	−0.9%	0.7	27.5%	82.8%	0.2	0.0	1.9	7.8%
Plymouth	108.0%	−0.3%	6.6%	4.5%	−2.1%	2.2	39.1%	83.9%	0.0	0.1	5.3	4.7%
Poole	100.9%	0.0%	6.7%	3.3%	−3.4%	1.7	20.4%	63.3%	0.0	0.2	0.7	5.0%
Portsmouth	100.2%	−0.4%	4.6%	3.3%	−1.3%	1.0	13.3%	22.2%	1.0	0.2	2.5	5.0%
Reading	112.0%*	0.8%	10.9%	11.8%	0.9%		−1.8%	19.2%	0.0	0.0	2.5	14.0%
Redbridge	103.2%	1.8%	9.6%	9.0%	−0.6%	0.7	15.6%	−6.0%	2.2	0.1	1.9	3.0%
Redcar and Cleveland	103.8%*	−1.2%	8.4%	7.3%	−1.2%	0.7	24.0%	26.0%	1.1	0.2	2.9	7.1%
Richmond upon Thames	109.2%	3.6%	10.3%	11.2%	0.9%		12.4%	35.1%	0.5	0.1	Not available	Not available
Rochdale	113.7%*	−0.2%	11.6%	11.1%	−0.5%	0.5	−12.0%	51.6%	0.8	0.3	2.9	7.9%
Rotherham	106.9%	1.3%	12.1%	10.9%	−1.2%	1.4	10.3%	110.5%	0.3	0.7	4.6	6.7%
Rutland	101.5%	1.2%	8.2%	7.8%	−0.3%	0.0	33.1%	−7.3%	0.0	0.0	0.2	10.4%
Salford	102.3%	−1.2%	9.9%	8.6%	−1.3%	1.1	−0.8%	83.7%	0.8	0.1	3.3	7.7%
Sandwell	108.9%*	0.1%	10.9%	10.6%	−0.3%	0.4	−1.9%	30.1%	1.0	0.1	4.9	6.5%
Sefton	100.3%*	−0.7%	5.9%	4.8%	−1.2%	1.4	−12.3%	15.8%	0.0	1.3	3.4	4.7%
Sheffield	100.1%	0.3%	10.3%	8.4%	−1.8%	3.4	6.4%	67.6%	2.8	0.8	3.9	Not available
Shropshire	106.8%	2.9%	10.2%	8.5%	−1.7%	1.6	48.5%	47.0%	2.2	0.1	1.9	6.6%
Slough	93.0%*	2.6%	7.4%	6.1%	−1.3%	0.7	43.2%	−0.4%	0.0	0.5	0.7	5.4%

TABLE D—continued

LEA	Passporting	Pupil numbers for information	Devolved funding for schools				School Funding Retained Centrally			Unallocated Funding		Variation in school increases within authority
	Question 1 (a) Passporting % <sup>1</sup>	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Solihull	114.6%	0.0%	11.3%	11.0%	−0.3%	0.3	10.3%	41.2%	2.0	0.3	5.2	3.3%
Somerset	100.0%	3.2%	8.4%	8.8%	0.4%		−9.4%	32.6%	0.0	0.1	9.5	6.6%
South Gloucestershire	102.0%*	4.1%	8.1%	7.1%	−1.0%	1.0	47.4%	22.9%	0.0	0.3	2.5	6.1%
South Tyneside	109.0%	−1.7%	9.2%	8.8%	−0.4%	0.3	−6.9%	6.8%	0.0	0.6	1.5	5.1%
Southampton	122.1%	−0.5%	6.6%	7.7%	1.1%		64.7%	29.6%	0.0	0.3	1.7	6.2%
Southend-on-Sea	100.0%	2.2%	8.2%	6.6%	−1.6%	1.2	75.2%	41.7%	0.5	0.0	0.8	4.8%
Southwark	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available	Not available
St. Helens	120.6%*	−0.3%	11.2%	10.3%	−0.9%	0.6	18.1%	88.0%	1.6	0.4	1.4	6.7%
Staffordshire	106.2%	2.0%	10.9%	10.3%	−0.6%	1.9	20.3%	−21.0%	5.3	0.9	6.1	Not available
Stockport	100.1%	1.0%	9.7%	7.4%	−2.2%	2.2	0.7%	27.6%	0.9	1.0	Not available	Not available
Stockton-on-Tees	100.9%	−0.9%	8.4%	5.9%	−2.5%	2.0	61.8%	35.0%	1.0	0.2	0.4	5.6%
Stoke-on-Trent	99.5%	−0.7%	9.2%	9.7%	0.4%		13.1%	1.2%	0.4	0.0	0.0	7.4%
Suffolk	100.4%	3.2%	8.6%	7.7%	−0.9%	2.3	27.8%	27.4%	0.0	0.6	12.2	4.7%
Sunderland	98.0%	−1.3%	8.7%	7.7%	−1.1%	1.3	33.1%	13.3%	0.4	0.8	1.8	6.7%
Surrey	103.0%	2.6%	10.0%	9.5%	−0.5%	1.6	23.0%	26.2%	4.3	2.2	7.4	7.5%
Sutton	100.1%	3.3%	10.6%	10.6%	0.0%	0.0	−3.6%	51.0%	0.0	0.6	1.7	5.9%
Swindon	100.2%	1.6%	9.7%	8.9%	−0.9%	0.6	15.0%	44.4%	1.1	0.8	1.5	4.9%
Tameside	105.4%*	−0.4%	9.1%	6.3%	−2.8%	2.6	47.4%	50.6%	1.4	0.3	1.1	8.0%
Telford and Wrekin	129.6%*	1.6%	8.7%	6.8%	−1.9%	1.3	123.6%	4.2%	0.3	0.2	0.8	5.2%
Thurrock	107.6%*	2.6%	9.0%	7.3%	−1.8%	1.0	16.0%	−8.3%	0.4	0.6	1.4	5.2%
Torbay	109.1%	0.9%	9.2%	8.3%	−1.0%	0.5	−0.5%	1.2%	0.7	0.3	0.7	6.7%

TABLE D—continued

	Passporting	Pupil numbers for information	Devolved funding for schools			School Funding Retained Centrally			Unallocated Funding		Variation in school increases within authority	
LEA	Question 1 (a) Passporting % <sup>1</sup>	(b) Change in pupil numbers %	(c) Inc in Schools Budget %	Question 2 (d) Inc in devolved funding to schools (net) %	(e) Difference %	(f) Increased funding not devolved to schools £ million	Question 3 (g) Increase in provision for SEN %	Question 4 (h) Inc in education provided out of school %	Question 5 (i) Revenue Funding diverted into capital £ million	Question 6 (j) Amount of School contingencies £ million	Question 7 (k) Funding in the devolved total but not yet allocated to specific schools £ million	Question 8 (l) Inter quartile range of increases
Tower Hamlets	107.0%*	−0.3%	9.8%	9.4%	−0.5%	0.6	22.2%	9.8%	0.6	0.3	4.3	5.5%
Trafford	89.9%	−0.2%	6.9%	7.2%	0.3%		21.1%	−34.3%	0.0	0.0	0.0	6.5%
Wakefield	103.6%	0.0%	10.3%	8.5%	−1.7%	2.2	56.0%	15.7%	0.0	0.8	5.4	6.9%
Walsall	104.6%*	−0.3%	9.3%	6.4%	−2.9%	3.5	40.2%	30.5%	0.0	0.5	5.1	4.3%
Waltham Forest	101.0%	0.7%	7.1%	6.7%	−0.5%	0.5	−159.6%	27.8%	3.6	0.6	3.5	5.8%
Wandsworth	92.9%	0.9%	10.6%	10.9%	0.4%		18.1%	7.1%	0.0	0.2	4.1	6.4%
Warrington	111.0%*	0.2%	9.8%	9.7%	−0.1%	0.1	2.5%	11.4%	1.3	0.1	2.2	6.1%
Warwickshire	106.7%*	2.1%	11.0%	8.0%	−2.9%	5.5	45.7%	46.5%	3.9	0.4	0.0	7.2%
West Berkshire	102.6%*	2.8%	9.4%	9.3%	−0.1%	0.1	20.8%	75.7%	0.5	0.1	0.9	7.8%
West Sussex	99.0%	3.1%	9.2%	8.2%	−0.9%	2.5	32.6%	32.8%	0.5	0.1	0.0	7.0%
Westminster	73.8%	2.3%	6.2%	5.9%	−0.3%	0.2	8.0%	32.4%	0.4	0.0	2.0	4.9%
Wigan	114.2%*	−0.2%	10.2%	9.6%	−0.5%	0.7	−1.7%	61.8%	0.0	0.4	3.8	7.5%
Wiltshire	105.7%*	3.9%	10.6%	10.9%	0.2%		16.8%	15.4%	1.3	0.6	2.7	8.8%
Windsor and Maidenhead	100.0%	2.0%	9.2%	9.6%	0.4%		31.6%	15.6%	0.1	0.0	1.0	5.1%
Wirral	100.0%	−0.4%	7.5%	9.0%	1.6%		−14.6%	12.2%	1.0	0.4	4.4	8.2%
Wokingham	109.2%*	3.1%	10.2%	8.7%	−1.4%	0.8	59.7%	−18.6%	0.0	0.6	0.5	6.1%
Wolverhampton	108.5%*	0.0%	9.8%	9.9%	0.1%		−22.7%	30.4%	0.0	0.0	4.5	8.3%
Worcestershire	103.5%	1.8%	8.7%	7.9%	−0.8%	1.5	9.7%	38.1%	4.6	0.0	3.7	5.7%
York	110.4%	−0.4%	7.0%	4.3%	−2.6%	1.6	12.6%	32.3%	0.3	0.1	1.0	8.0%

See Note on DfES Analysis for explanation of the columns.

If “Not available”, information has not been sent to DfES in time for inclusion.

<sup>1</sup> \* Indicates authorities where the passporting target is adjusted to take the RSG ceiling into account.

## NOTES TO TABLE D: EVIDENCE OF IMPACT ON SCHOOLS

*Question 5. What evidence has the Department assembled about the different impacts on individual schools' year-on-year funding totals as a result of: (a) changes in SSA/FSS for its LEA and (b) changes in pupil numbers. It would be helpful if the Department could provide examples of these impacts.*

1. The increase in funding for an individual school will depend on a number of factors covering both central and local government responsibility. These are the increase in funding given to the school's local authority by central Government; the amount by which the local authority decides to increase its Schools Budget; the increase which the local authority decides to give to the Individual Schools Budget, as opposed to the items within the Schools Budget which are held centrally; and the operation of the local authority's formula which gives different increases to different schools, particularly due to changes in pupil numbers.

2. On Friday 2 May, the Secretary of State published a detailed analysis of LEA budgets for 2003–04. This highlighted the different decisions which authorities made and how these impacted on the funding available for schools. Table D shows the table which was published and paragraphs 5–30 below provides an explanation of each of the columns and a diagram. The funding increase given to each authority by central government varies as shown in the earlier annexes. Some authorities decided to put more money into the Schools Budget, thus passporting more than 100%. Examples are Southampton, Medway, Bexley. Other authorities put less money into the Schools Budget, passporting under 100%.

3. The next decision is the increase given to the devolved funding for schools, compared to the overall increase in the Schools Budget. The analysis in Table D shows that some LEAs decided to increase the budgets they hold for centrally provided and centrally funded pupil provision at a significantly higher rate than the increase in the budget they delegate to schools. Lastly, the result of the local formula gives a range of increases to individual schools and Table D shows the interquartile range of the school increases. Part of this variation will be due to pupil number changes.

*Question 6. As well as these figures, we would like a description of how formula funding shares differ from the standard spending assessment.*

4. The main principle behind FSS is the same as with SSAs: namely that the formula distributes a set amount of resources between authorities according to their relative needs. However the new Education Formula Spending Shares have a different structure, with separate blocks for the LEAs' central functions and the Youth Service, and blocks for pupil provision, known as the schools block. The new formula also uses more up-to-date indicators of need, such as pupils with English as an additional language, low-achieving ethnic groups, children in families in receipt of working families tax credit as well as children in families in receipt of income support. The amount of funding distributed on the basis of additional needs, rather than per head, is based on research by Price Waterhouse Coopers into the costs associated with these pupils, rather than spending patterns from 1990–91 as with the old SSA system.

#### A. HOW EDUCATION FUNDING REACHES SCHOOLS

5. Funding schools is a shared responsibility between central government and local authorities. Central government provides most of the funding for local education authorities (LEAs). The LEAs provide some funding, through the Council Tax; decide how much to spend on education in total in their area; and decide how to distribute that total spending between central services and their schools.

#### *Central Government Support for LEAs*

6. The Government introduced a new funding system in 2003–04: Formula Spending Shares, which allocate £25 billion of support for education between local authorities. Each authority receives a share which is based on its relative circumstances. Every pupil attracts the same level of basic support, wherever they live, which in 2003–04 is £2,005 for primary school pupils and £2,657 for secondary school pupils. Additional support is provided for children in deprived circumstances. There is also additional support for authorities in high-cost areas, to allow them to recruit and retain staff; and in rural areas, to reflect higher home-to-school transport costs.

7. For each authority, the support it receives is divided into two main blocks: the Schools Formula Spending Share (88% of the total nationally), which covers all pupil provision whether provided by schools themselves or by the LEA direct; and the LEA Formula Spending Share (12%) for LEAs' central functions and the Youth Service.

8. Authorities receive their funding for education, as well as other services, as Revenue Support Grant. The amount of grant each authority receives takes into account its Formula Spending Share for each of the local services which it is responsible for; and is adjusted to take account of the authority's ability to raise Council Tax.

*LEAs' Schools Budgets and "Passporting"*

9. It is then for authorities to decide how much to spend on each service for which it is responsible. They decide the level of the Council Tax locally; how much to spend on education; and within that, how much to spend on pupil provision (the Schools Budget).

10. All authorities were asked by the Government to "passport" the full increase in their School Formula Spending Share into the Schools Budget—that is, to ensure that the increase in their Schools Budget was at least as large as the increase in their Schools Formula Spending Share. A passporting exercise carried out in January required authorities to say whether they intended to passport in full. 130 authorities signalled they would do so.

*Local Distribution of the Schools Budget*

11. Having set the total Schools Budget, it is for the LEA to decide how much to spend on pupil provision that the LEA makes directly (eg for special educational needs; or pupil referral units); and how much to allocate to individual schools.

12. Finally, each LEA has its own formula to divide up the total to be allocated to schools, taking into account pupil numbers and local circumstances (for example deprivation). There will thus be variation in the increases which different schools in the same authority get. Authorities may not yet have allocated all the funding to individual schools; some may be retained for allocation later in the year.

13. The diagram at Annex B below illustrates this budget-setting process, from the total resources made available by central government, to the budgets set for individual schools.

**B. ANALYSING LEAs' BUDGET ALLOCATIONS**

14. LEAs are required to prepare a budget statement before the beginning of each financial year. This is called the "section 52" budget statement. Because of the reports from schools about the size of their budgets, DfES has analysed all section 52 budget statements received by noon on 1 May, and has written to all authorities so that we can be clear about how far the increases in funding assessments in 2003–04 have reached individual school budgets.

15. The Section 52 budget statement illustrates the decisions the LEA has made regarding the distribution of resources within the Schools Budget: how much is retained centrally for expenditure on pupils, and how much is devolved to schools. It provides the following information:

- (a) The size of the Schools Budget, and thus how much of the increase in the SFSS each LEA has "passport" into the Schools Budget.
- (b) How much of the Schools Budget has been retained centrally for items such as Special Educational Needs (SEN) or Capital Expenditure from the Revenue Account (CERA).
- (c) What increase there has been in the total devolved funding for schools in each LEA (the "Individual Schools Budget" and LEA contribution to the devolved Standards Fund).
- (d) The amount of funding which LEAs still have to allocate to specific schools.
- (e) The actual, allocated, devolved funding for each school.

16. Budget statements will not include the £28 million grant announced on 26 March (Additional Budget Support Grant—ABSG) but they should include all other funding.

17. Despite the legal requirement for budget statements to be with DfES by 31 March, we had still not received the budget returns from four authorities by noon on 1 May. The analysis in the Press Notice published on 2 May is based on the most up-to-date returns received by DfES from LEAs; however, there is an ongoing process of checking the data with LEAs to ensure the forms have been completed correctly. Thus the published data is provisional.

18. Annex A gives a technical explanation behind the analysis in the press notice, explaining exactly what has been compared with what.

### C. ISSUES ARISING FROM THE BUDGET STATEMENTS

19. The analysis in the Press Notice identifies eight main decisions made by LEAs which will have affected the budget increases received by individual schools.

*Passporting. Have authorities increased their total budget for schools and pupils as much as expected?*

20. Column (a) shows whether each LEA has increased its Schools Budget as much as the increase in its Schools Formula Spending Share—ie, whether it has “passporting” or not. Authorities which have not passported will have a figure below 100%; those which have passported exactly will have 100%; and those which have made a larger increase to the Schools Budget will have figures above 100%.

(Figures marked with a star refer to authorities whose passporting target has been adjusted because of the ceiling placed on the Revenue Support Grant they have received in 2003–04.)

*Devolved Funding for schools. Have authorities increased the funding for individual schools as fast as the funding for the services they pay for centrally?*

21. Columns (c) to (f) illustrate these decisions. The analysis shows the increase in the overall Schools Budget (column c) and compares this with the increase in devolved funding for schools (column d). Column (e) shows authorities where the increase in devolved funding for schools has been given a higher or lower priority. Where authorities have placed greater priority on devolved funding for schools, column (e) will be positive. Where authorities have placed greater priority on the services they provide and pay for centrally, column (e) will be negative.

22. For authorities giving a lower priority to the devolved funding for schools, column (f) shows how much more devolved funding for schools there would have been, if the authority had instead decided to give equal priority to devolved funding for schools and central spending on pupils.

*School Funding Retained Centrally*

23. The difference between the devolved funding for schools and the overall Schools Budget is affected by the amount of funding the LEA retains centrally for provision for pupils—especially, pupils with SEN, pupils whose education is provided out of school, and any revenue funding diverted into capital projects.

*School Funding Retained Centrally—Special Educational Needs. Have authorities increased the share of their funding held centrally for Special Educational Needs?*

24. Column (g) shows at the percentage increase in the central SEN budget. Some authorities may have reduced their central expenditure on SEN, by delegating more responsibility for SEN to schools. This will make the increase in devolved funding look bigger, but schools will acquire additional responsibilities.

*School Funding Retained Centrally—Education Provided Out of School. Have authorities increased the share of their funding held centrally for education provided out of school?*

25. Column (h) shows the percentage increase in the central budget for education provided out of school, and behaviour support—for example, Pupil Referral Units.

*School Funding Retained Centrally—Revenue Funding Diverted into Capital. Have authorities chosen to use their revenue (ie running costs) funding for capital projects?*

26. Column (i) shows the cash amount of revenue funding that the LEA is planning to spend on capital projects. This is referred to as “CERA” (Capital Expenditure from the Revenue Account).

*Unallocated Funding—School contingencies. Have authorities held back large sums of money for unexpected pressures during the year?*

27. Within the centrally retained items in the Schools Budget, the authority may set aside some funding for allocation later in the financial year.

28. Column (j) shows the cash amount of funding under this category. This may be kept to deal with changes in pupil numbers or unexpected conditions.

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*Unallocated Funding—Unallocated devolved funding. Have authorities still got funding that is ear-marked for schools, but has not yet been allocated to them?*

29. Authorities may ear-mark some funding to be devolved to schools, but not yet have allocated it to any specific schools, for instance because it is to be allocated on the basis of data that is not yet available. Some of this funding may have been allocated since the submission of Section 52 statements. The cash amounts held in this way are shown in column (k). (This unallocated amount includes the £28 million grant for 36 authorities announced on 26 March which authorities were specifically told not to include in their Section 52 returns.) Schools may know they are to receive some of this allocation, but in some cases schools may be unaware that there is still further funding to be allocated.

*Variation in School Increases within an authority. Have authorities' local funding formulae provided a reasonable increase for every school?*

30. Column (l) illustrates the range of budget increases that different schools within a single authority are receiving. The local funding formula will not deliver the same percentage increase to every school, as schools' circumstances differ. The figure in column (l) represents the difference between the lower quartile budget increase (ie a budget increase which one quarter of all schools in the authority will have received less than) and the upper quartile budget increase (ie a budget increase which one quarter of all schools in the authority will have received more than). The larger the figure in column (l), the greater the difference in budget increases between the best-provided and worst-provided schools in that authority. If the figure in column (l) is relatively high, there is a greater likelihood that those schools with the lowest increases locally will find themselves under budget pressure. Low figures in column (l) show LEAs where most schools are receiving a budget increase close to that LEA's average.

#### Annex A

The data in the press notice is obtained from the following information. The letters relate to the columns in the analysis table.

#### PASSPORTING

- (a) Passporting figures based on the size of the Schools Budget from authorities' Section 52 statements. The passporting target has been revised since the January target to reflect i) the final settlement figures; ii) the final March LSC allocations; and iii) the addition of London Budget Support Grant. Figures with an asterisk are for authorities whose passporting target has been adjusted to take into account the fact that their Revenue Support Grant increase was capped through the grant ceiling.

#### PUPIL NUMBERS (FOR INFORMATION)

- (b) Change in 3 to 15 pupil numbers. These are the pupil numbers used in the Education Formula Spending Share calculation to apply floors and ceilings. These figures are not used elsewhere in the analysis.

#### DEVOLVED FUNDING FOR SCHOOLS

- (c) The increase in the Schools Budget (net) (line 1.7.1(g)). This is the net Schools Budget as defined in the Section 52 regulations. It is therefore net of DfES grant income such as School Standards Grant and the Standards Fund, but includes income from the Learning and Skills Council and specific formula grant (EiC)<sup>1</sup>. In order to ensure a like-for-like comparison with 2002–03 as far as possible we have adjusted the 2002–03 Schools Budget baseline used in the passporting exercise to include the LSC grant, EiC grant, Nursery Education Grant and Class Size grant because the successors to these grants are all included in the 2003–04 net Schools Budget. The 2002–03 Schools Budget for these comparisons is thus made up of:
  - (i) 2002–03 Schools Budget baseline agreed with LEAs for the passporting exercise; plus
  - (ii) 2002–03 LSC grant; plus
  - (iii) 2002–03 DfES income for Class Size as recorded on 2002–03 Section 52 return; plus
  - (iv) 2002–03 DfES income for Nursery Education Grant (as specified in the adjusted 2002–03 SSA figures used in the settlement); plus
  - (v) Post-16 Budget Support Grant.

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<sup>1</sup> For 2003–04 the net Schools Budget should be gross of expenditure supported from LSC income—both the main LSC grant and the LSC grant for SEN. Many authorities incorrectly filled in their form by netting off the LSC SEN income in lines 1.1.1, 1.1.4 and 1.3.5. Thus their Schools Budgets appear smaller than they really are. We have therefore added the LSC income from memorandum items 4d1, 4d2 and 4d3 to the net Schools Budget in line 1.7.1 where appropriate.



In other words, the 2002–03 Schools Budget comprises all the lines from the 2002–03 S52 budget that are comparable with the 2003–04 Schools Budget lines, split where appropriate.

- (d) The increase in net devolved funding to schools reflecting the Individual Schools Budget, the LEA's contribution to devolved Standards Fund and EiC specific formula grant. For 2003–04 this figure is obtained by taking the ISB (line 1.0.1), the LEA's contribution to devolved Standards Fund (1.0.3) and EiC Partnership expenditure (1.5.3). Expenditure relating to EiC grant for 2003–04 can be recorded in different places in the Section 52 statement: it could form part of the ISB (and thus automatically be included) or could be recorded on line 1.5.3. We do not prescribe what authorities will do with this funding, but it is likely it will go to schools in some form. Hence we are including the EiC grant funding in line 1.5.3 in the funding counted as devolved to schools. For 2002–03 the net devolved funding to schools comprises the ISB (lines 1.1.1 to 1.1.3), LEAs' contribution to devolved Standards Fund (line 1.1.6), the income from Class Size grant (line 1.3.3) and the EiC grant from the Department's final Standards Fund allocation figures for 2002–03.
- (e) The difference between column (c) and column (d). This shows the difference between the percentage net Schools Budget increase and the percentage net increase in devolved funding for schools and identifies authorities putting proportionately more funding into their central items.
- (f) The additional cash sum that would be in devolved funding if the authority had provided the same percentage increase in devolved funding for schools as the percentage increase in the net Schools Budget. This is left blank where the authority has provided a percentage increase in devolved funding for schools at least as large as the increase in its net Schools Budget.

#### SCHOOL FUNDING RETAINED CENTRALLY—SPECIAL EDUCATIONAL NEEDS

- (g) The change in centrally retained provision for SEN. This includes provision for pupils with and without statements; fees for pupils at non-maintained and independent special schools; and inter-authority recoupment. The 2003–04 figures are the net figures for lines 1.1.1 through to 1.1.6<sup>2</sup>; the 2002–03 figures are the net figures for lines 1.4.2, 1.4.3.1, 1.4.3.2, 1.4.8, 30% of 1.4.4 (unless an alternative split was proposed by the LEA) and 1.9<sup>3</sup>.

#### SCHOOL FUNDING RETAINED CENTRALLY—EDUCATION PROVIDED OUT OF SCHOOL

- (h) The change in other centrally retained non-schools pupil provision. This includes expenditure on Pupil Referral Units, education out of school and Behaviour Support Implementation. The 2003–04 figures are net figures for lines 1.2.1 to 1.2.3; the 2002–03 figures are net figures for lines 1.4.5.1, 100% of line 1.4.5.2 (unless an alternative split was proposed by the LEA) and 1.4.6.

#### SCHOOL FUNDING RETAINED CENTRALLY—REVENUE FUNDING DIVERTED INTO CAPITAL

- (i) The amount of revenue funding for 2003–04 being spent on capital items (CERA). This is line 6.

#### UNALLOCATED FUNDING—SCHOOL CONTINGENCIES

- (j) The amount of revenue funding allocated to school-specific contingencies (line 1.4.6). This is not part of the devolved funding for schools. It may be allocated to schools later in the year as specific needs arise, such as pupil number changes, but the authority is not obliged to hand it to schools.

#### UNALLOCATED FUNDING—UNALLOCATED DEVOLVED FUNDING

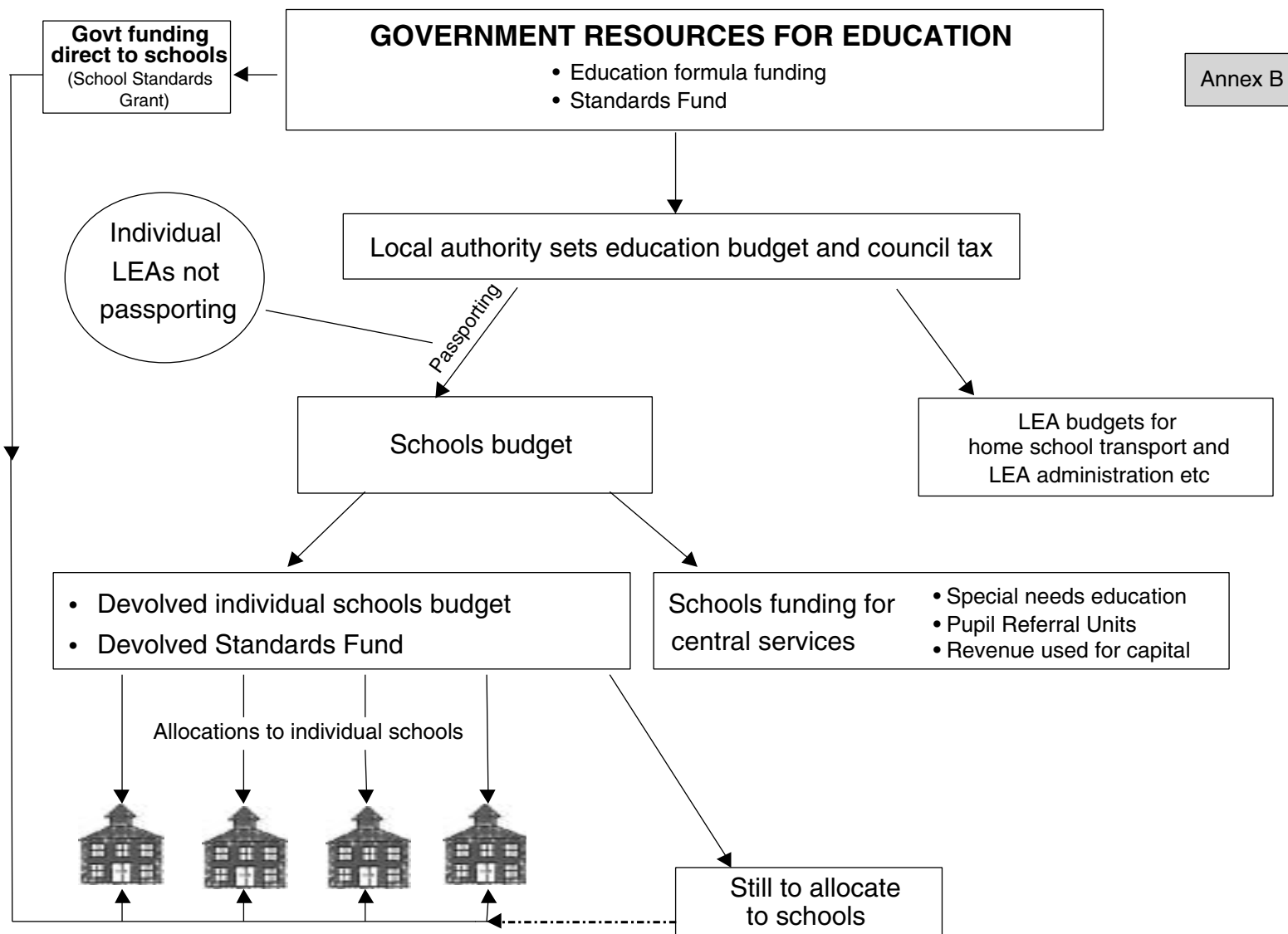
- (k) The total amount of funding ear-marked for schools through the Individual Schools Budget, or through the devolved Standards Fund, but not yet actually allocated to specific schools. It is obtained from table 2 of the Section 52 return. The figures also include the £28 million ABSG which authorities were specifically told not to include in their Section 52 budget returns.

<sup>2</sup> For 2003–04 lines 1.1.1 and 1.1.4 should be gross of expenditure supported from LSC income. Many authorities incorrectly filled in their form by netting off the LSC SEN income in these lines. We have therefore added the LSC income from memorandum items 4d1 and 4d2 where appropriate.

<sup>3</sup> To ensure a like-for-like comparison, the 2002–03 figures for 1.4.2 and 1.4.8 should be gross of expenditure supported from LSC income. Some authorities appear to have netted off this income and we have thus added back in the LSC income in respect of these lines from the relevant memorandum items where appropriate.

VARIATIONS IN SCHOOL INCREASES WITHIN AN AUTHORITY

- (l) Column l illustrates the range of increases in school budget share within an authority. These figures include the schools' School Standards Grant (SSG) allocation and thus these increases are not directly comparable with the increases detailed in (c) and (d). The figure shown is the difference between the lower quartile (ie the increase in School Budget Share (SBS) which one quarter of schools are receiving less than) and the upper quartile (ie the increase in SBS that one quarter of schools in the authority are receiving more than).



Annex B

## REASONS FOR PROBLEMS IN 2003–04

The problems in 2003–04 were due to the coincidence of a number of factors that created a high degree of turbulence and unpredictability in the system.

Contributory factors:

### *National*

- (a) The introduction of a new local authority funding system, following the SSA formula freeze, and after extensive consultation with local government and other partners. Compared to previous years, where individual LEA's year-on-year increases were tightly distributed around the national average, the 2003–04 local government settlement had more significant winners and losers than usual.
- (b) Reductions in the proportion of funding for LEAs and schools provided through specific grant funding, following requests from local government and schools for a rebalancing in favour of general grant. This led to significant changes at both individual school and LEA level.

Additional costs of employment arising from increased teachers' pensions and NI contributions, and the implementation of the STRB's recommended 2003–04 pay settlement. Although these items were all covered in terms of national allocation of resources, there were differences between the distribution of additional resources and the distribution of the additional costs that these items generated.

### *Local*

- (c) Some local authorities faced particular problems in passporting the increase in their schools EFS to the School Budget, in part because of pressures on other services, and/or relatively low formula grant increases caused by the impact of changes to other services' FSS, resource equalisation and use of new 2001 national Census data.
- (d) A large number of authorities faced pressures and made decisions which resulted in expenditure on centrally retained items (notably SEN and behaviour-related programmes) within the Schools Budget rising faster than the money going to schools (the individual schools budget).
- (e) Some local Fair Funding formulae did not cope well in matching up the large cash increases in 2003–04 and the significant pressures that those increases were intended to cover, resulting in very wide variation in funding increases for individual schools.
- (f) Timing issues, in terms of the limited time available to consider the interaction of all the changes introduced for 2003–04; and in the provision of full funding allocations to individual schools.

### *School*

- (g) There were differential pressures at school level: for example, schools with a large proportion of their budget going on teachers' pay faced greater pressures than the average with respect to the increase in pay costs. Schools with a large proportion of teachers on the main pay spine faced some pay drift through the 2002 shortening of the main pay spine.
- (h) The lack of forward budgets, and relative future unpredictability of important schools' costs (eg teachers' pay), hampers schools' ability to manage their finances. Financial management in some schools needs to be strengthened, with less willingness to take an incremental approach to school budget setting.

The Department is working with local government and representatives of schools to identify changes to the funding system for 2004–05 to deliver stability and predictability, with the aim of ensuring each school can receive a reasonable per pupil settlement in 2004–05. That will address how best to ensure:

- sufficient education funding increases for every LEA;
- the right balance between support through general grant and through ring-fenced and targeted grant;
- confidence that schools and pupils will receive the money intended for them;
- the right balance between in-school and out-of-school provision;
- variations in the budget increases received by different schools within each LEA are appropriate and fair;
- workforce reform, in line with the National Agreement, can be sustained.

How to make future cost pressures—especially, on teachers' pay—more predictable (including multi-year pay settlements) is also under consideration.

## PRIVATE FINANCE INITIATIVES/PUBLIC PRIVATE PARTNERSHIPS

### BACKGROUND

1. The Schools PFI programme is an important part of the increased capital investment being made available to Local Authorities by central Government. The over-riding purpose of the investment is to contribute to the raising of educational standards and the Department wants schools PFI projects to play their full part in that process.

2. Schools PFI contracts are negotiated between Local Authorities and the private sector and it is the responsibility of Local Authorities to make those contracts fit for purpose and to manage their implementation. Local Authorities have powers, through the payment penalty mechanisms incorporated in the contracts, to ensure that the project is delivered according to the specification they have established with their private sector partner.

3. By bringing together the expertise of both public and private sectors, we can ensure that the focus of educational staff is on education and that properly trained and motivated buildings and maintenance staff focus on the schools estate. Schools PFI is still a developing area of policy. Whilst there have been some operational difficulties with some projects, these have been the exception rather than the rule. In most instances they have either been in outstanding minor defects and deficiencies such as are encountered in all building projects (and under PFI the financial penalties to which the provider is liable should help to ensure a prompt response) or procurement problems arising from a lack of clarity about what is and is not covered in the contract. These sorts of problems can arise however the project is funded.

### DEPARTMENTAL RESPONSIBILITIES

4. Projects are in the main supported by central Government funds (although Local Authorities are also required to contribute) and the Department therefore has a responsibility to ensure that all Schools PFI projects are:

- deliverable;
- affordable; and
- represent good value for money for the taxpayer.

5. The Department is also responsible for assessing proposals from Local Authorities and deciding which should receive provisional approval and therefore financial support. This provisional approval needs subsequently (once a full Outline Business Case has been developed by the Local Authority with the support of the Department) to be confirmed by the Treasury chaired Project Review Group (PRG) before it can enter procurement. The PRG includes representatives of all central Government Departments which support Local Authority PFI projects (the DfES supports the largest number of such projects). At the final stage the Department also assesses and gives approval to the Final Business Case and confirms the available funding enabling the project to be signed.

6. The Department is pro-active in working with Local Authorities to identify the lessons that can be learned from all projects and to ensure that best practice is shared with each new project as it starts its development. The Department also continues to provide ongoing support to all Local Authorities developing Schools PFI projects and Local Authorities also have access to advice and support from the Public Private Partnerships Programme or 4ps (an organisation set up by the Local Government Association to support Local Authority PPP/PFI projects).

### *PFI Toolkit*

7. When Schools PFI first began in the mid 1990s some Local Authorities may have been over ambitious about what could be achieved within the available funding. This approach may have contributed to unrealistic expectations and subsequent difficulties in meeting those expectations. The Department has learnt from this experience and in the last three annual bidding rounds insisted on a standardised approach to project costings and contracts. It is DfES policy to ensure that any Schools PFI project to which it gives approval is both affordable and deliverable for the public sector and realistically costed for the private sector. All Local Authorities seeking project approval are required to complete a PC based Toolkit—which uses standardised methods of establishing costs taking area guidelines and a number of other factors into account. The Toolkit outputs indicate the level of Departmental support which would be available were the project to be approved. This prevents Local Authorities pursuing projects that are likely either to fail to deliver the required outcomes or to prove unaffordable. Ensuring that more robust costings are used at the outset makes the achievement of value for money more certain. And in granting provisional approval to projects the Department now places an increased emphasis on the ability of the relevant Local Authority to deliver them successfully.

## SUPPORT AND GUIDANCE

8. Because it is the responsibility of Local Authorities to negotiate the contracts, the Department's main focus in improving the overall procurement process has necessarily been to support them in this, and it has achieved a great deal in this area. It has, for example:

- supported Local Authorities' procurement costs and worked with those in the most difficult circumstances to develop their in-house procurement and contract management expertise and funded the cost of this process;
- encouraged the spread of good practice by making it a condition of support that Local Authorities are prepared to share non-confidential information with others in similar circumstances to avoid "re-inventing the wheel"; and
- worked closely with the 4ps and supported that organisation's network meetings which are designed to spread information and good practice. It has also funded a number of joint conferences with 4ps to inform Local Authorities developing Schools PFI projects.

9. Additionally, the Department has developed extensive guidance including standard contracts and standard LEA/school agreements. The use of standard contracts and agreements has resolved many of the difficulties encountered with early projects as well as leading to time and cost savings. Any derogations from the standard contract must be agreed with the Department before final approval is given. The Department is being more rigorous in ensuring compliance with standard documentation and any areas of doubt are checked with Partnerships UK.

10. The Department is currently funding the 4ps to produce a Schools PFI procurement pack which will provide a comprehensive guide to the entire procurement procedure including guidance on developing an output specification which defines exactly what is expected from the private sector provider. Lack of clarity in this area may have caused some difficulties in the past. These initiatives have resulted in a marked improvement in the standard of proposals and business cases received by the Department at the start of the process and are now having a positive effect on the later stages of procurement as expertise is increased.

## *Design issues*

11. There has been some criticism of the design of early PFI schools, particularly in the Audit Commission report published in January this year. The Department recognises the crucial importance of design issues in new school buildings and, before the publication of the report, had already taken and is continuing to take steps to support improvements in this area. It has involved a wide range of individuals and organisations (such as the Commission for the Built Environment or CABE, and the Design Council) in the preparation of key design guidance, as members of steering groups advising on many DfES publications and as members of the Advisory Group on School Design established to advise Ministers on better procurement. It is funding CABE to provide project enablers to advise Local Authorities on design and related issues in schools PFI projects and it has recently revised the guidelines to increase areas and to take account of greater inclusion, increased use of ICT, more community use, increases in school support staff and more non-contact time for teachers. The need for good, sustainable design underpins all these changes.

## POLICY EVALUATION

12. The Department is also improving its evaluation of signed projects in operation to see what lessons can be learned. In the Kirklees project where substantial difficulties have been reported, the Department funded the 4ps to produce a report. On the basis of this report, the Department has worked with the Local Authority and with the contractor towards resolving those difficulties. It has also funded the 4ps to undertake a number of case studies on other signed projects; the great majority of these case studies show a positive response from the school users.

13. The Department has sponsored two major research projects into the link between investment in new buildings and educational achievement; it is continuing to research the links between design and educational performance through the *Classroom of the Future* initiative which is currently funding 30 pilot projects, focusing on the creation of effective, imaginative and stimulating learning environments—the pilot projects will all be monitored and evaluated; it will shortly begin research into lifecycle costs; and a more robust evidence base, supported by comprehensive databases which can be used for evaluation and benchmarking, is currently being developed.

14. It is less than four years since the first PFI school opened. Today, services have started in more than 30 projects, and include more than 40 brand new or replacement schools. Over 500 schools are now covered by PFI agreements, representing over £1.3 billion of capital investment by the private sector. Projects involving a further 400 schools are at various stages of procurement.

**TARGETS AND PERFORMANCE**

1. The Department has been following with interest the work of the Public Administration Select Committee and its review of target setting. This response to the Education and Skills Committee's questions reflects many of the themes that have been discussed in that enquiry.

2. Target setting is an iterative process. The Department's Public Service Agreement (PSA) targets are normally negotiated with the Treasury at the time of a Spending Review settlement. Since the establishment of the Prime Minister's Delivery Unit in 2001, they too have been involved. The underlying purpose is to enable the public to see what the government is aiming to deliver with the resources invested.

3. DfES agrees that targets should be outcome focused: most are. And they need to reflect the Department's strategic objectives and priorities, reflecting as closely as possible the Department's fundamental purpose. At their best, they can be close proxies for key outcome goals.

4. For example, for school age children, the relevant DfES objective reflects a moral commitment to provide education that enables every child to reach the highest level of attainment they can, so that they are able to equip themselves with the skills, knowledge and personal qualities for life and work. To underpin this, schools targets establish a national framework of standards that clearly set out minimum levels of attainment that most children should reach, with higher-level targets to encourage stretch. School floor-level targets reflect the need to push up levels of attainment for some groups of schools and children.

5. When formulating targets the Department aims to consult with people in the delivery chain to get their professional input on both how a national level headline target will cascade to local level and on delivery mechanisms. For instance the Department's primary strategy "Excellence and Enjoyment—a strategy for primary schools" confirms the Department's commitment to targets and testing. But it also makes clear how important it is that schools set stretching but realistic targets which they can believe in and work towards, and that they "own". So in future the target setting process will begin with schools setting their own targets, with LEAs using performance data to challenge schools to set stretching targets. LEA targets will be set afterwards. The Department is currently considering the implications of the primary approach for targets relating to other age groups.

6. Once the text of a national level PSA target has been agreed and announced, Technical Notes are published for each target that set out precisely how and when progress will be measured. The DfES regularly reviews progress towards targets and risks to their achievement. This may lead the Department to revise targets at or between Spending Reviews in consultation with the Treasury or the Prime Minister's Delivery Unit.

7. Looking ahead to what next steps might be for providing incentives for improved performance, there are some broad lessons to be drawn from experience with target setting so far:

- Input targets may be useful to pump prime a new policy but they should be related to outputs and should not be sustained for too long; but there is a place for institutional level standards to drive quality, efficiency and effectiveness.
- DfES needs to be sensitive to perverse consequences e.g. the difficulty of working to a single figure target where pupil populations are small—in these circumstances range targets can be a helpful alternative.
- When national targets have been agreed, the way they are cascaded through the system is important. It helps if there is excellent data and information to underpin that process; the Department has far better data now for schools than it did in 1998 and that means there can be a more informed debate.
- LEAs and Head teachers play a key role in making schools targets bite, as do the Learning and Skills Council, colleges and providers in respect of targets in their area of operation. Local target levels need to provide an element of challenge and drive towards continuous improvement.

8. In summary, the Department wants to develop better ways of engaging the education and skills system in thinking through the targets and related accountability frameworks which underpin its policy goals, and, through consultation, increase ownership and improve chances of deliverability.

*June 2003*

**Further memorandum submitted by the Department for Education and Skills**

**HEARING ON THE DEPARTMENTAL REPORT**

1. The memorandum submitted by the Department on 19 June referred to the pressures on schools due to teachers' salary costs.

2. The Government has given priority to recognising the work of teachers and has improved the salary levels markedly.

3. A teacher who joined on point 2 in 1997 (£14,280 pa–£16,341 in inner London) would, by normal salary progression, be on point M6 on 1 September 2003 (£26,460 pa–£30,000 in inner London), a real increase of 68.2% (66.6% in inner London)

4. An experienced teacher on the maximum (point 9) in 1997 will have seen their basic pay increase by 12.7% (16.5% in inner London) in real terms since 1997. If they passed the threshold it will have increased in real terms by 22.1% (32% in inner London) and if they have moved to the second point of the upper pay scale, the increase is 26.6% (38.5% in inner London).

5. The minimum salary for a head has increased by 24.7% (34.8% in inner London) in real terms since 1997 and the maximum has increased by 41.2% (45.4% in inner London).

6. The following table shows how the average salary levels have risen:

TEACHERS' AVERAGE SALARY IN ENGLAND (c)

	Average Salary	Year on Year Growth
March 1997(a)	£22,930	
March 1998(a)	£23,570	2.8%
March 1999(a)	£24,460	3.8%
March 2000(a)	£25,410	3.9%
March 2001(a)	£27,210	7.1%
March 2002 (estimate)(b)	£28,400	4.4%
March 2003 (estimate)(b)	—	4.5% to 5.5%

Notes

- (a) Average salary data from March 1997 to March 2001 were taken from the Database of teacher records.
- (b) March 2002 and March 2003 average salaries and growth are provisional estimates based on the pay surveys of the Office of Manpower Economics.
- (c) All figures refer to full-time qualified regular teachers employed in the English maintained sector, and covers classroom teachers, heads and deputy heads.

7. As noted in our earlier memorandum the effect of these increases will affect particular local authorities and schools differently, especially as the majority of the education budget is spent on teachers' salaries.

June 2003

*Witnesses: Mr David Normington, Permanent Secretary; Dr Ruth Thompson, Director of Finance; and Mr Stephen Crowne, Director, Resources, Infrastructure and Governance, Department for Education and Skills, examined.*

**Q1 Chairman:** Can I welcome you to our deliberations. It is some time since we saw you, and I am sure you are quite pleased about that. This is the annual meeting that we have with officials in the Department. I think it is the second time you have fulfilled this role. Can I welcome you and say that I think it is an improved system, where we give you a much better indication of what we are going to focus on during this hearing. It came out of a very good discourse we had with your predecessor, Sir Michael Bichard, and we agreed that that would be a more effective use of our time and yours. This has been a pretty turbulent time for the Department, and one would have thought, if you had been a private sector company, your Chairman might be saying to you, if you were the Chief Executive, David, that you might want to consider your position. Word on the street was that ministers—and this Committee normally believes very much in ministerial responsibility—were not very well informed about the knock-on effects, the implications, of the changes to school funding this year. They are quite serious allegations that ministers were not given the fullest information they could have had. How do you react to that allegation?

**Mr Normington:** I think we tried to do all the usual work you do in what is a very turbulent period in school funding, and I think we provided a lot of that advice to ministers. Neither we nor ministers believed that it would have this impact on some schools. I actually think the work we did in the Department and provided to ministers was very good work, but in the end, we did not get right the very wide impact on schools, the very different impact on different schools, even in the same area. Ministers themselves must speak as to whether they had the best advice or not. I think we did a good job, but at the final point, we did not believe it would have the impact that it did, so there were mistakes.

**Q2 Chairman:** With great respect, you say you did a good job. I was very impressed by the memorandum that you sent us, and on page 25 I find this almost breathtakingly frank answer to the letter that we sent you: "Reasons for problems in 2003–04".<sup>1</sup> When you wrote this, presumably this was not the sort of information that you had to hand for ministers during the period when the problems started to arise. This is all hindsight.

<sup>1</sup> Ev 32



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25 June 2003 Mr David Normington, Dr Ruth Thompson and Mr Stephen Crowne

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**Mr Normington:** Some of it is hindsight, because we did not know, as I have admitted, precisely what the effects would be on individual schools. It was very difficult to model that, but at the beginning of this process, we did have a very good fix on how the changes we were making to the local authority funding formula would impact differentially on local authorities. We did have that, and the evidence of that is, of course, that we put in floors and ceilings, so that the effect was not as extreme as it would otherwise have been. Secondly, we did know very well what the costs that schools were facing would be, and we were able to model that. We also knew that some standards fund grants were ending and some standards fund grants were being transferred into the local authority settlement. What we were not able to do was to model the total impact of that on every school, because, as the memorandum says, there are decisions being taken at each level—some by us, some by local authorities, some by schools—which makes it virtually impossible for us to model what the impact will be on every individual school. We did not believe that the impact on individual schools would be as different across the piece as it has been. Some are big gainers, and some are losers, and of course, we have been hearing from the losers, who have real problems. It was that bit of it, the modelling of the impact on schools, that we were not able to do, so we were not able to provide that to ministers. Overall, in the national settlement, we believed there was enough money to cover all the demands, but of course, as it spreads out, as the memorandum shows, the differential impact, first on local authorities and then on schools, was very wide.

**Q3 Chairman:** Are you saying you did model but not well, or you did not model at all, or it was impossible to model?

**Mr Normington:** We did model the impact on local authorities. What we were not able to do was to model the impact on individual schools, because the decisions on how to allocate money to schools are taken at local authority level.

**Q4 Chairman:** At the moment we constantly hear that the Government does not trust local education authorities a great deal, and there is this increasing determination from where we sit that the Department has to directly fund schools more closely, but here you are admitting that it is very, very difficult to do, which is the simple allocation, or the complex allocation of school finance directly to thousands of schools.

**Mr Normington:** No, I am saying that in the present system local authorities have a great deal of discretion in how to allocate money to schools. Each of them has a local funding formula, and under that formula they decide how the money should be allocated. They also decide themselves whether to put the amount of money that we think should go into schools into schools, and what to put in from the Council Tax. So there is quite a lot of local discretion in the system. I am saying that in that

system, it is inevitable, since we do not fund schools directly, that we will not be able to model the impact of the present system on every school.

**Q5 Ms Munn:** On that point specifically, my Director of Education in Sheffield told me that he was concerned at the outset of the likely implications, particularly of the standards fund changes, and he actually offered to model the changes school by school from within Sheffield to the Department. That was not taken up. We were also told by the LGA last week that they offered to model. Why were those offers not taken up? That would have given, at least in one authority, an idea of the kind of impact there might have been.

**Mr Normington:** I did not know about the Sheffield case. I do not know who made that offer. To begin with, we did not think it was going to have this effect, and by the sound of it, we should have taken up that offer because it would have given us earlier information. I did not know that it had been made.

**Q6 Ms Munn:** That is not something you have routinely done before?

**Mr Normington:** We do work very closely with local education authorities, contrary to the popular view, and we are still working with them now, but there are 150 of them, and it is the local authority's responsibility to decide how much money to put into education, and to decide how to allocate that to schools. That is the system we have.

**Q7 Ms Munn:** What you have just said was that it was impossible for you on your own, which I accept, to model what was going to happen to individual schools. So you are saying one of two things: that you do not think it is your responsibility to do that because it is up to the local education authorities, or that you did not know that you could have done that, and it would have been a good idea to do that, certainly in hindsight, because we know that what has happened has not been good.

**Mr Normington:** With hindsight, we could have done with a lot more information from local authorities about what the impact would be. I accept that. I have to say that most local authorities would not have been able to tell us what the impact was going to be until very late in the process, probably into the financial year. Even now, some local authorities have not allocated all the money to schools that is available, and are still trying to deal with the problems of individual schools. So this process of allocating budgets locally goes on through the end of the financial year into the new financial year. Before somebody says this to me, that is partly because the settlement came through to local authorities very late, and that is something we have to deal with too. One of the problems with the whole system is it is very late. We do not get the school teachers' pay settlement until very late, and that has to be modelled into this equation as well. It would be desirable if we could get to a position where we had longer term settlements and we could have the information about the costs earlier.

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**Q8 Chairman:** There are some very good, gold-plated excuses coming out here. I want to take you back to what you said just now. You said in answer to Meg Munn that it is up to local education authorities to make decisions. In Essex and Barnet, what you decided left them with no money for anything else. Barnet and Essex found themselves in the position of being expected to passport more additional resources to education than their overall formula grant increase. Are you telling me that in only 150 local education authorities no-one in the Department of Education could see the horrendous effect on two major authorities?

**Mr Normington:** With local authorities where there are those effects, we do have discussions, and if we did not, they would be straight on to us. Barnet is an authority we have had a lot of discussion with over this period, because they are in a particular difficulty, as are their schools. So yes, we are talking to local authorities that are in a particular position, and we particularly talk to those where the impact of what we were saying nationally was having a particular effect in the local authority area. Barnet is one, but there are others. Essex is one too.

**Q9 Chairman:** There are others?

**Mr Normington:** There are some others.

**Q10 Mr Turner:** Can we go back a step? As I recall, the SSA was defined as the level of spending which is required to produce a standard level of service. What is the equivalent definition of FSS?

**Mr Normington:** I am not sure I know. The formula is based on a number of things. It is based on the number of pupils. It is based on the assessment of what extra it costs to educate a pupil in an area of deprivation, and it takes into account other cost factors, often to do with the differential costs of employing teachers. It has not changed fundamentally. We are still trying to get to a position of what it costs to educate a pupil in a deprived area, or in an area where there are additional costs, perhaps because it is a rural area or it is in London and the South East, where teachers' pay is higher.

**Q11 Mr Turner:** Your Department's view is that it is a formula which is calculated to reflect the needs of a particular area?

**Mr Normington:** Broadly, yes, although in the work that was done we did not carry through into the final settlement every element of need that was identified by PriceWaterhouse Coopers. That would have made it impossible. Its impact would have been too different.

**Q12 Mr Turner:** Does the ODPM share that definition?

**Mr Normington:** It was worked out with their involvement, so I think so.

**Q13 Mr Turner:** You say the process involved local education authorities. Was it legally possible, or certainly practicable, for a local education authority to amend its funding formula between the point at

which there was a reasonable indication of the availability of resource and the point at which they had to provide budgets for schools?

**Mr Normington:** I think the time issue meant that it was probably not practicable.

**Mr Crowne:** The position in most authorities is that a fundamental change to the local distribution formula would have required an extensive period of consultation, but a lot of formulae give the local authority the ability to deal with unforeseen circumstances, and there are contingency arrangements. In fact, what we have seen over the last couple of months is local authorities, working very hard in partnership with their schools, to use the flexibility already within the system. Clearly, as we look forward to next year, we have to ensure that there is the right balance of flexibility and clarity in those formulae to make the whole system more predictable and reduce the amount of turbulence.

**Q14 Mr Turner:** So when you say you are not able to model the total impact because decisions are taken at different levels, in practice, you could have known what the funding formula was for each local education authority at the time when the modelling was undertaken.

**Mr Normington:** Yes, but it does not tell you how the money is going to be distributed to schools.

**Mr Crowne:** A lot of the operation of a local formula depends on local data about pupil numbers, distribution of children with special educational needs and free school meals, and that is information that is collected in real time as we go through the year, and it is not possible for us to have that data in advance to work through the implications for every school. A lot of that information is collected in January and the following months.

**Q15 Mr Turner:** You have both mentioned the timing. What sort of timing would have been required to ensure that schools did not go through the turbulence and crises and concern about threats of redundancies and so on that have emerged since 1 April?

**Mr Normington:** They need to know sooner. They need to know in the autumn. There is quite a long budget-setting process, as you know, in local authorities, which will often go on right through to March, so ideally, they would need to know from us before Christmas and earlier if possible.

**Q16 Mr Turner:** Have you never tried to tweak the system so that this information becomes available?

**Mr Normington:** We have tried to provide the information earlier. I do not know precisely when, but it was very late this year. I say again, of course, some of the cost pressures also came through very late, like the teachers' pay settlement; we do not get that until the end of January, and that is a major factor in school budgets. I think we would like to move to a position where there were longer term pay settlements so that if possible, there was more certainty about cost questions. We could do with moving the whole system forward to earlier in the year.

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**Q17 Ms Munn:** Given that you knew that there were going to be these changes, and you said earlier that you work closely with local education authorities, how much advice was given about the fact that there were going to be these sort of changes and that there were going to be quite significant impacts?

**Mr Normington:** The basic change to the way in which local authorities' funding was distributed was worked out with a lot of local authority involvement. It is quite an open process, and there was a lot of joint working with them. Of course, a lot of the discussion was about the impact. There were lots of different models done. Lots of impacts were modelled on local authorities. There were lots of discussions about that, but it was all particularly about the impact of the distribution system at the local authority level. We had said that we were going to end some of the central grants in the standards fund, which is a general principle a lot of people approve of, because there are too many funding streams. If you wanted to look at one reason why some schools were particularly badly hit, it is because of the ending of those grants, which were distributed in a completely different way from the normal local authority formula. Although everybody knew that that was happening, we were not able to model the impact of that on top of the changes we were making to the local authority settlement. We still have this. When you hear particular schools saying they are in difficulties, it is often because of the impact of the loss of grant on top of other things. We are still working with some local authorities on that issue, and some local authorities are trying to mitigate the impact of that with our support.

**Q18 Ms Munn:** That is certainly the case in my own authority. What I am interested in getting a bit clearer is not just your working relationship with local education authorities, which you have described to us, but the relationship in terms of the expectation about how directive the DfES is about money. There is the whole issue of passporting, and also, how much involvement in terms of direction or guidance or advice does the DfES give to local education authorities? What are the expectations about how they go about constructing their own formulae for distribution in the local areas?

**Mr Normington:** Stephen may want to add some detail to this. There are two things. One is that we do put strong encouragement into the system that the money we think should be spent on education is passported to education. Successive Secretaries of State have put a lot of effort into that, and we do have now a fallback legal power to enable us to intervene if we think the school budget has been set too low. We did not use that in the end, but we did consider using it in two cases. In that sense, there is a lot of emphasis on saying the money for education should be spent on education. We do also, of course, set some basic rules about the nature of the local formula, particularly about its relationship to the number of pupils. In that sense, we are setting the framework.

**Mr Crowne:** The principles of fair funding are clearly laid out and have been agreed with the local authority partners. There is a good deal of flexibility available to local authorities as to how the formula operates, and that is quite deliberate, because it is a recognition that local circumstances vary, and there should be the opportunity to configure these arrangements to those local circumstances.

**Mr Normington:** Another thing we have done over recent years is try to reduce the amount spent on administration by setting levels by which we wanted central administration costs reduced. I think local authorities would say we have been quite directive in some areas.

**Q19 Ms Munn:** Do you think that the whole idea of looking at it from a national perspective is too broad-brush to take account of local employment costs? I am thinking that schools now are much more entities which employ all sorts of professionals, not just teachers; teachers were always seen as being the bulk of that, but with workforce remodelling, we are seeing an increasing number of other people coming in, and their pay rates will be much more variable than the teachers' rate. Do you think it is too broad-brush to reflect those differences?

**Mr Normington:** It is difficult to get a national formula which reflects all those different local factors. It is true, particularly in support staff, that although there is a national agreement, pay rates vary locally quite a lot. That is the schools' flexibility, or lack of it, depending on what their employment costs are. We have tried, in the work we did to develop the most recent formula, to get a better basis for estimating staff costs, and they are reflected in the formula, but by definition, the national formula has to be moderated somewhere, because if it is not, it will not apply to every school and to every local authority. It cannot.

**Q20 Chairman:** In answer to Meg Munn's earlier question, out comes the threat of the iron fist to deal with naughty local authorities. The fact is, if you take somewhere like Westminster, yes, it only passported 73.8%, but under the comprehensive performance assessment process, the Audit Commission reckoned that Westminster had the stamp of approval; it was an excellent authority. This is the very authority that presumably you would now want to use the iron fist on. You cannot have your cake and eat it too with this Committee. From the very beginning of all this discussion about school funding, there have been messages coming from ministers that it is a blame culture; it is the schools' fault; it is the local education authorities' fault; it is everyone's fault but the Department for Education and Skills. That is what many on this Committee resent. The backdrop as far as this Committee is concerned is that here is a Government that is putting more money into schools than anyone can remember, and you are able to snatch defeat from the jaws of victory by allowing these crises to run and run for weeks and weeks. Everybody in the country listening to the radio, or listening to Radio 4, would have assumed that the poor old schools

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were being deprived of teachers and resources, and it was the end of the civilised world in education as we know it. Do you not feel guilty about that?

**Mr Normington:** I am not very happy about it. It does not feel as though everybody else has been blamed. It feels as though I and my ministerial colleagues have been taking a great deal of responsibility and flak for it.

**Q21 Chairman:** But unnecessarily in some sense?

**Mr Normington:** No-one will believe this, but I will say it nevertheless. What we were trying to do when we set out the facts on the spending, local authority by local authority, was actually to point out that there was a shared responsibility in school funding between the national level, the local level and the school level. Everybody has a part to play in that, and the decisions people take at each level they have to be held accountable for. You can see from what we published in early May about each local authority that there were some local authorities which, for quite understandable reasons, had not yet allocated all their money to local schools, and schools did not know what their budget position was. They were all queuing up at the door of the Department for Education and Skills to complain about that. Part of our message was that there were still local decisions to be taken. Their first port of call needs to be the local authority, and then, by all means, they can come and talk to us. This is a system of shared responsibility. I know that this has been said to be us blaming local authorities, but that was not our intention, and it was not Charles Clarke's intention. That is not what we were aiming to do. I think we are entitled to say that every local authority has a part to play in the local distribution, and they should be held accountable for that. We are entitled to ask Westminster, which you named, why it has only passported 73% of its education budget. We have asked that question. We have had a debate. We contemplated using our powers and of course, we decided not to, but in the process Westminster decided to increase the amount of money that they were putting into their local schools. So from our point of view, that worked.

**Q22 Chairman:** Mr Normington, you are the Department. It is here on page 25 of your answer to my letter.<sup>2</sup> You described the problem in terms of turbulence. I have always known, since I was a little boy, that if a ship is going through a period of turbulence, it is the captain who is responsible for getting through that turbulence safely. That is what astonishes me. You are not the captain, but you are certainly the chief officer. When was the first time that your intelligence network in the Department said to you, "Look, there is a bit of turbulence. There is a squall coming up. I think you had better tell the captain"? How early did you know that something had gone wrong and that this turbulence was going to cause a lot of bad publicity?

**Mr Normington:** There are two points at which we became worried about this. Before Christmas it was clear to us that demands in the system were quite significant, and although there was more money going in nationally than the demands in the system, there was not that much headroom nationally. That was the first question. It felt much tighter.

**Q23 Chairman:** How early was that?

**Mr Normington:** I do not know precisely, but it was after Charles Clarke's arrival at the end of October and before Christmas, some time around then. We were modelling it at that point. If you ask me when I realised we had a growing problem, I can tell you that precisely. It was when I went to the Secondary Head Teachers' conference and was besieged by head teachers telling me this. I do not know the exact date but it was mid to late March. The reason why I had a particular problem was because I had head teachers telling me that they had had an 8, 9 or 10% increase in their budget year on year, but they could not manage. I have been involved in this for quite a while, but that seemed extraordinary to me, and Charles Clarke, who spoke at that conference, was also taken to task, and so between us, we realised that something was going wrong. We still did not believe—and I still believe this—that it was everywhere. We were always going to hear from those who were in difficulty, understandably. It is still very differential in its effect across the country. So we did not know at that stage what the scale of it was going to be. Clearly, the upset has grown since then. I take responsibility for it, but what we were also saying was we are not solely responsible, because it is in the nature of the funding system that people at other levels take decisions as well. We have not given up on trying to ensure that where there are still problems, we are talking to local authorities about this. My colleague Stephen Crowne here is still going round the country, talking to local authorities that still have problems, and we have examples of local authorities still finding more money to help their schools.

**Q24 Chairman:** Mr Normington, I understand what you are saying, but this Committee's job is to assess the Department's performance over time, and if there are patterns that worry this Committee, it has every right to point out that the kinds of explanations you are giving this morning are similar to the explanations given over individual learning accounts, and over the A level problems last summer. It does seem to us that here you have this leading Department of State, with a large number of civil servants, paid by the taxpayer, consistently running into turbulence that does no-one any good. If it was the only problem you had had, this Committee would have been more sanguine, but it is not; it is the third time we have had you and your officials before this Committee, and we are very unhappy about particular parts of your performance. That is what we worry about.

**Mr Normington:** I am not happy about it either. As you said, it has been a very turbulent year, but you would have to go through each of those things to

<sup>2</sup> Ev 32

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determine what happened and why it happened. They are all slightly different, but I agree, they have all damaged the Department's reputation, and its reputation for competence. I am not happy about that, but each one has a different story line behind it. On a different occasion in front of a different Committee I admitted that individual learning accounts reflects very badly on the Department. I do not believe what happened in the expenditure decisions in the last few months has at all the same cause, and I do not think it reflects incompetence in the Department.

**Q25 Valerie Davey:** Another area which has gone under your control which had an influence on this was the Learning and Skills Council, who were also contributing to the totality of the funding. Schools with a 16-plus provision found themselves getting a different rate of increase in their funding, which did not tally, again, with the overall figures that were coming out of the Department. How much collaboration and coordination was there with the Learning and Skills Council?

**Mr Normington:** Quite a lot. We of course understand that there is now a separate funding stream coming into schools with sixth forms from the Learning and Skills Council, and we are trying to ensure that the effects of those two streams are understood, but it is an added complication, and for some schools it does increase the range of effects on them. In fact, the Learning and Skills Council has been very active in trying to ensure that there were not serious losses of money in sixth forms, and I think have adjusted their allocations as a result.

**Q26 Valerie Davey:** It was a decision of the Department, though, which ministers were encouraged to take, to formulate funding for 16-plus provision in that way. Did you tell them it would be just an added complication?

**Mr Normington:** When the Learning and Skills Council was set up, it was thought right that all post-16 funding should go through a single course, because you could argue that the previous system, where there were different bits of the post-16 system being funded from different places, depending whether it was FE colleges or schools or sixth form colleges, was equally unsatisfactory. It was felt that we would get to a more cost-effective system for judging inputs and outputs of sixth form education if we had a single funding stream through the Learning and Skills Council, and they have been trying to get to a position where it is a more unified system, albeit there are some safeguards in there for extensive provision, which is often in school sixth forms.

**Q27 Valerie Davey:** But the LSC was set up prior to this round of funding into schools where we have hit the turbulence. That ought to have been ironed out before we hit the turbulence this year.

**Mr Normington:** The main sixth form funding changes are not this year; they are in the previous year.

**Q28 Valerie Davey:** That is exactly my point.

**Mr Normington:** Therefore, we did try to stagger this. We did not try to make all the changes at the same point, and we did ask the Learning and Skills Council to put in a floor to ensure that there was a real terms guarantee. In other words, no school that is not losing pupils from its sixth form ought to be taking a cut in its sixth form funding. From memory, about a third of schools with sixth forms are on that real terms guarantee and so are protected from the effects of the formula. This is an example of us working with the Learning and Skills Council to protect schools and to model the effect on particular schools. So yes, it is a complication. Another complication is because sixth form funding is done on a different period from the rest of schools' funding, which I think is something that is very difficult for them. Nevertheless, we have been trying both to stagger the effects of these funding changes and also to put in protection for schools that might have lost money.

**Q29 Valerie Davey:** That should not have been part of this year's turbulence.

**Mr Normington:** It should not have been. I do not believe it has been a major cause of the problem this year.

**Q30 Valerie Davey:** Could I follow that up? You have said that you handled this as well as you could have done. Have you, in all your discussions with the LEAs, recognised that in a difficult situation they have managed it well?

**Mr Normington:** Yes, I believe they have managed it well. A lot of them have managed it very well indeed, and are continuing to do so. I am very happy to say that.

**Valerie Davey:** I am glad to have that on the public record, and I think they will be too.

**Q31 Jeff Ennis:** I would like to follow up the last point that Valerie made. In an earlier response, Mr Normington, you said that school funding was a shared responsibility between your Department, local authorities and schools themselves. To some extent, it appears that one of the main reasons that you are implying things have gone wrong was because of the unknown factor of the flexibility within the machine that impinges on local schools. Given that sort of imponderable, do you feel that the shared responsibility is out of kilter? Was it out of kilter in the past? Is it going to be out of kilter in the future because of the system that you are working to?

**Mr Normington:** It is a very complicated system. When we made these changes this year, it was supposed to be more transparent, but I think it is still very difficult to determine who has taken the decision which has particularly affected your school. So for schools it does not feel like that. I do not think we are at a settled position. We do have a previous model under the previous Government, which this Government abolished, of a Funding Agency for Schools, which did allocate money from a national level to schools without an intermediary body, but

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they did not do it for all schools in all areas. So we do not have a model for a system where there is total national funding for schools without a local intermediary. What I am saying and what my answers are showing is that, because of the range of local factors, it is very difficult to think of a system where you could remove completely the local intermediary. Somebody has to judge the particular difficulties of particular schools, and be prepared to step in there and sort those out. I do not think we have heard the end of the present discussion about what the right funding system is, but I also think that it would be difficult to devise a system which did not have local intermediaries.

**Q32 Jeff Ennis:** So effectively, the funding model we have we need to tweak slightly, but the principle is right?

**Mr Normington:** We cannot have this kind of problem again. Charles Clarke is on the record as saying that, and he has also said we must ensure that next year and the year after there is a reasonable per pupil increase in every school.

**Q33 Chairman:** But you are going to have less money next year.

**Mr Normington:** We are going to have an increase in money but it is not as big an increase as this year.

**Q34 Chairman:** In real terms? More money next year?

**Mr Normington:** I think the settlement figure is £1.4 billion extra in the education formula, the EFS.

**Q35 Chairman:** The information this Committee has is that in real terms that will be a slight decrease.

**Mr Normington:** I do not think so, no.

**Q36 Chairman:** Let us have communication about that.

**Mr Normington:** All right.<sup>3</sup>

**Q37 Jeff Ennis:** Local authority funding does not just involve the Department for Education and Skills. It obviously involves the Office of the Deputy Prime Minister. What discussions and liaison are you having on a day-to-day basis with the ODPM, particularly in the light of the problems this year, and are you satisfied that that liaison is good enough?

**Mr Normington:** We are in contact almost daily with the ODPM on this subject.

**Q38 Chairman:** Your body language is suggesting that is an onerous duty.

**Mr Normington:** I did not intend my body language to say that. What I was going on to say was we actually are, with local government as well, looking at how you would ensure that there was a reasonable settlement next year in every school, and that involves the Office of the Deputy Prime Minister, it involves representatives of local government as well. So we are working very closely with them.

**Q39 Jeff Ennis:** Going back to when the problems first manifested themselves on a large scale, Mr Normington, would you say it was your Department that picked up the problems first, or the ODPM?

**Mr Normington:** I think so, but I think it is inevitable that we would pick up the education problems first. It would be odd if we did not.

**Q40 Jeff Ennis:** Because of the passporting through, it also directly affects the other services straight away.

**Mr Normington:** The whole issue of passporting and whether we use our powers to enforce passporting would always be a decision that we took with the Office of the Deputy Prime Minister because of its impact on the rest of the local authority settlement.

**Q41 Jeff Ennis:** You mentioned earlier the Secretary of State's name. When he made his famous announcement blaming the local authorities for the fiasco, shall we say, did the Deputy Prime Minister know that the Secretary of State was going to make that sort of remark?

**Mr Normington:** I think so, but I do not know. I cannot recall whether there had been that sort of discussion, but I think so. He will say this himself, but I will say it for him as well. We did not make that statement with the intention of criticising the local authorities. That was how it came out, but until that point, everything that had been said about this—

**Q42 Chairman:** Mr Normington, what do you mean, "the way it came out"?

**Mr Normington:** What I mean is it was reported in that way.

**Q43 Chairman:** The press were unkind to you?

**Mr Normington:** I do not want to start blaming the press. I think I have answered this. What we were trying to do on that occasion was to say there are a number of people who take decisions which affect schools, and all across the country local authorities are at different positions in their budget allocation process. They are taking different decisions. Some are holding money back, some are allocating more than they have been asked to, some have allocated less. It is really important that people understand how the national framework we have is being applied locally, and why some schools who are complaining about their budget position do not know at this stage—2 May, very late—what their budget position is. That was proved by the fact that after we published those figures, a lot of local authorities moved money from their central provision into schools. So some of what we did was actually lay out the position. There is nothing in what Charles Clarke said which was aimed at criticising local authorities, and I have already said in response to one of the members of the Committee that many local authorities have been working really hard to sort this out.

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<sup>3</sup> Note by witness: The settlement figure for next year is 2.6% real terms and £1.4 billion.

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**Q44 Chairman:** Mr Normington, I am a sad, old Radio 4 listener, and I certainly got the impression that the Secretary of State was blaming local authorities.

**Mr Normington:** That was not his intention.

**Q45 Jeff Ennis:** You have mentioned the modelling exercises that have been undertaken this year, and in previous years, and the difficulty of doing finite modelling, but in a nutshell, do you agree that one of the problems this year was that schools were planning on a minimum per pupil increase in funding of 3.2%, and that the average real terms increase in funding was only around 1%, and that many schools received less than that?

**Mr Crowne:** What we did in allocating money to local authorities was to set a floor and a ceiling. The 3.2% floor was set leaving aside the additional costs of pensions and National Insurance.<sup>4</sup> In fact, that equates to an 8% cash floor; in other words, the increase in EFS in every authority was at least equivalent to 8% cash, so that covered what we considered at national level to be the pressures in the system. Because the new funding formula is essentially redistribution, there will be winners and losers within the range 3.2–7%, the floor and the ceiling. One of the problems we had early on was confusion about how the pensions money and the National Insurance money was treated,<sup>5</sup> so when you see a headline figure of 3.2%, it does not look as though that covers costs. In fact, the real figure, the cash figure, is around 8%, as the floor.

**Q46 Jeff Ennis:** So effectively, we originally announced the headline figure of the actual increase, and are we not now reaping the whirlwind in terms of the fact that the reality of that headline figure announcement, when it boiled down into actual figures for local schools, was that the two did not match?

**Mr Crowne:** I think that is fair comment, and it is always difficult for us to know whether to talk in terms of cash or in terms of like for like comparison of costs. The cash increase, as you know, in EFS was 11.2%, £2.5 billion, but we were anxious not to present that as a real terms increase because, of course, it had to support additional costs, particularly the increase in teachers' pensions contributions, which is why we try always to present our figures in terms of like for like. So the 3.2% figure is the like for like comparison. But I think it is a reflection of the complexity of the system we have and the changes this year that it is very difficult for everybody at every level in the system to understand that that is what was going on. I can talk from personal experience from talking to heads about this, being clear about what is cash, what is a like for like comparison, and the cost pressures that we took into account in the national settlement. The figure

that David quoted, the headroom, our estimate of £250 million was taking account of all of the pressures that we could identify in the system.

**Mr Normington:** When you put your question, you put it in terms of what schools were planning for. You can see from some of the figures that we have provided that the range of increases in individual schools, even in one authority, is very broad. It can be almost nothing, particularly if they are losing pupils, to over 15%. It can be as wide as that.

**Q47 Chairman:** Why do you think it is going to be better next year? Many critics of the system say that the passporting system leads almost to a random allocation that you will not be able to control next year, so local authorities will have that turbulence next year if you use the same formula. We have the figures here, and we will give you the table that we have. It shows not only that the turbulence was there, but that it was predictable, because it all depends on that range the new system introduces, but certainly, from the information we have, you should have known about this turbulence on 6 December last year.

**Mr Normington:** The first question was about next year. I did not say it will be better; I said our aim is that it should be better, and that means we will have to come up with some changes to the present system, which we are discussing with local authorities and with the Office of the Deputy Prime Minister to ensure that the commitment Charles Clarke has given that there should be a reasonable per pupil increase in every authority, in every school, is met.

**Q48 Chairman:** You have to get it right. Earlier on in the evidence you said it is going to be all right next year. What we are saying to you is the evidence that this Committee has already had suggests that, if you stick to the same formula, there will be the same turbulence.

**Mr Normington:** I am not saying it will be all right next year. I am saying we cannot repeat the kinds of problems we have had this year, and therefore we are discussing how we change the present formula so that we do not have these problems again. Some things fall out. I do not think we have a new National Insurance change, I do not think we have any further pensions changes. So some of the changes we had this year are part of the position but they are not new changes, so they become part of the baseline. Also, many local authorities are going to be more sensitised to these problems as well, and will be on to these problems earlier than they were. But I come back to it: in order to avoid the problems we have had this year, we are going to have to make some changes to what we have done this year, otherwise I think you are probably right, that if we simply repeat what we did this year, and just let it happen, we could not guarantee that there would not be some problems.

**Q49 Chairman:** You have to have your figures right, and I do want it on the record. I have checked these figures. As far as this Committee knows, the increase in cash this year is 6.3%. Next year it will be 5% cash.

<sup>4</sup> *Note by witness:* The 3.2% was set leaving aside the additional costs of pensions and the ending of some Standard Fund grants.

<sup>5</sup> *Note by witness:* The confusion was about how the pensions money and the Standards Fund were treated.

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Unless there is a slightly higher rate of inflation, there will be less additional money. I would hate for you to go away from this Committee under the false impression that you have more money this year. This Committee firmly believes you will have less.

**Mr Normington:** I am agreeing with you that the increase next year is less than the increase this year, and I actually have in my mind 2.5% and 1.4.<sup>6</sup>

**Q50 Chairman:** So we can agree on that.

**Mr Normington:** We all agree there is a lesser amount next year, but it is an increase.

**Q51 Paul Holmes:** As we have already heard, there has been a lot of confusion in recent months about where the figures are and where the truth lies. Can I ask you about a few particular examples? We had the Secretary of State telling Parliament that there was not much evidence of teachers being issued with redundancy notices because the schools and the LEAs could not afford to employ them. It would appear the next day your Department sent out a request to local authorities to provide this information. Now we are at the end of June, a few weeks on. Do we have an absolutely clear picture? Have all the LEAs returned the information? Do we have a clear picture of how many teachers have been issued with redundancy notices, and whether it is because of lack of money rather than falling rolls?

**Mr Normington:** I do not have new information on that. I do not have an up-to-date figure because it is changing all the time. The last figures we had on teacher redundancies—and even then they were not real teacher redundancies; it was notices that had been given—were actually from the NASWT survey which we last year agreed with, which was not on the basis of a complete survey of local authorities. The figure was about 250 people. But we will not know until the autumn, and even then, we might not know precisely what this figure is. Any redundancy is a problem for that individual. I understand that. There are between 20,000–30,000 teachers retiring every year, so we are dealing with a very small number, albeit for the individual it is a lost job and a problem. I understand that. We are doing our best by talking to local authorities now, and most of the local authorities are themselves doing their best to try to ensure that there are a minimum number of redundancies, but I do not have a new figure today.

**Q52 Paul Holmes:** Can I ask why you do not have a figure? As I understood it, earlier this month you had written to the LEAs asking them for these figures and about one-third had responded up to the point when this was discussed in Parliament. Surely, three weeks later, you have got responses from all of them, and you have got some sort of figure of your own rather than relying on the teacher unions?

**Mr Normington:** Many were not sure and still are not sure because many are trying to avoid redundancies, so many of the responses said “We

don’t know because our aim is to minimise them and to reduce them school-by-school to a very small number, so we don’t have an accurate figure.”

**Mr Crowne:** That is absolutely right. It is a combination of schools still thinking about the shape of their provision for the next year, driven by budgets and also by other things. Quite a large number of authorities are still working on their budgets. There are other pressures in the system which will tend to increase or decrease the number of teachers and other staff in schools. We are in a period, as you know, of substantial falling rolls in primary now, which will tend to cause more turbulence in the system. So I think any survey you take is only a snapshot at that moment in time, and the idea of getting a definitive figure which sums up a one-year position is extremely difficult. I have talked to a lot of local authorities about this and they are all determined to ensure that they are managing the workforce implications as effectively as they can in the local circumstances. I think that is a great credit to local authorities and schools.

**Q53 Paul Holmes:** Surely, if there is a deadline by which you must issue a redundancy notice—

**Mr Normington:** Yes, that has passed.

**Q54 Paul Holmes:** That has passed. Surely, you should therefore be able to easily place the figures. OK, that might change because over six or seven weeks circumstances change within the schools and so on, but you must surely be able to have a very clear figure of how many redundancy notices—

**Mr Crowne:** Without a special exercise we cannot be definitive about that, but all the indications are, from earlier informal responses from local authorities, that the actual number of compulsory redundancies is not out of line with the figures that NASWT published earlier. We have not done a special exercise to try and ensure that in every local authority we have a complete picture of every compulsory redundancy.

**Q55 Paul Holmes:** Are you saying that you did not write earlier this month to all the local authorities asking for these figures?

**Mr Crowne:** We are in constant contact with local authorities to collect information about workforce implications and other things that are going on. The way we have worked with local authorities is to try and identify those areas where we think there are particular problems and then go and talk to them about how they are handling those and what additional support we can provide. It is a better use of our time than to try and get from over 150 local authorities a complete and updated picture. We are trying to pick off and work closely with those authorities who appear to be facing these difficulties.

**Mr Normington:** So, for instance, Manchester this week has just decided to put £3 million more into their schools. Not, I think, because we have been talking to them but because of the result of looking at what their local position is, so it is changing all the time. Authorities are trying to tackle the issues school-by-school.

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<sup>6</sup> Note by witness: The settlement figure for next year is 2.6% real terms and £1.4 billion.



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**Q56 Paul Holmes:** I am still not clear. Did you or did you not earlier this month write to all LEAs and ask them for this information?

**Mr Crowne:** Yes, we did. We were collecting information on the way the budget-setting process was going and what they thought, at that stage, were likely to be the implications for the workforce. However, bear in mind that I was asking for the opinion of the chief education officer on the basis of the information that he or she currently had. That can only be a judgment at that stage. Until a formal decision about a redundancy is made, you do not know whether it is going to be made. A lot of protective redundancy notices are used to cover possible eventualities. That is why looking at protective notices is always a bit misleading. In our experience there are always more protective notices than there are actual redundancies.

**Q57 Paul Holmes:** It may be misleading, but are you saying that the DfES does not actually have the figures of how many redundancy notices have been issued by the deadline?

**Mr Crowne:** We do not have a complete set of information coming from a local authority at a particular point in time, which is I think the only piece of information that we could say actually meant something. The reason we cannot do that is because local authorities are still working with schools on the implications of their budgets for the current year, and I think it would be misleading of us to try and pick a moment and say that that is the position of the year, because we know that some authorities and some schools are not at that position.

**Q58 Paul Holmes:** It might be thought that a failure to either (a) collect that information or (b) tell us what it is is misleading as well, and therefore any pronouncements that were given to the Department as to the situation being better or worse or not as bad as people say—how can we judge if you do not actually give us the figures?

**Mr Crowne:** What I am saying is that our priority has been to work with those local authorities which are facing some of the biggest challenges and to try and help them through those difficulties. So it is about prioritisation and it is about focusing our effort on where we think it will make the most difference. I think that approach has been warmly welcomed by local authorities.

**Mr Normington:** I do not want to put another figure equally distant from the facts into the public domain. What we are trying to do is to sort out with local authorities their difficulties. I just do not think it helps for us to have another figure. What we do know is that some local authorities are talking to us about their difficulties and we are trying to minimise the numbers. I think actual redundancies as a result of these funding reductions will be quite a small number at the end of this process, but I do not want to put another figure in because we do not have up-to-date information. It would be just as difficult to

justify as any of the other figures that, from Easter onwards, there have been on a regular basis—each one slightly lower than the one before.

**Q59 Paul Holmes:** Since you will not give us any figures now I will be interested to see your response to the Parliamentary question I will put this afternoon on this issue. Moving on to the later issue, equally the confusion on the announcements of figures and so forth, we were given the impression a few weeks ago that—although you say it was not the impression that was meant to be given—local authorities were to blame for not passporting on all the money. Can you tell us exactly how many local authorities did not passport all the money across that they were supposed to?

**Mr Normington:** It is 11.

**Q60 Paul Holmes:** Out of a total of?

**Mr Normington:** 150.

**Q61 Paul Holmes:** Although you do not like making these comparisons, if you had looked at the initial redundancy notices that had been issued, would they correspond to the 11 authorities who did not passport all the money, or is there no correlation at all?

**Mr Normington:** There is correlation, but there are also a number of schools spread across the country which are caught by the very differential impacts of the funding systems. So there is not a perfect match between those that have not passported and the difficulties they are having with redundancies, but there is some correlation.

**Q62 Paul Holmes:** Is it generally a strong correlation or a weak correlation?

**Mr Crowne:** I do not think we can say that. As David has said, it is a very complicated picture, and the way any particular school is reflected is the result of a whole host of factors, including specific local circumstances. What I can say is that we should not assume that, as it were, the national level allocation decisions are necessarily responsible for particular decisions on redundancies that individual schools make. The picture is very much a local picture there and often reflects, for example, the historic spending pattern in that school. In other words, this is not just a one-year issue. I think I would not want to over-generalise.

**Mr Normington:** Just looking at the non-passporters, I do not think it is a very strong correlation because it depends what action the local authority has then taken to try to minimise problems in its area. So there are some places where there is a great deal of difficulty and debate. I see Croydon is on the list—they did not passport—and that is an area where there continues to be all kinds of difficulties. So in some of those there are strong correlations and in some there are not. Barnet is one of those and Westminster we mentioned as one of those.

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**Q63 Paul Holmes:** So there is not a strong correlation between the 11 who did not passport and the areas where most redundancy notices have been issued?

**Mr Normington:** I do not believe so but there is some correlation. I mentioned those where there are certainly issues about loss of jobs. So there is some, but it is not that strong because local authorities are taking action to minimise the impact.

**Q64 Chairman:** You will forgive this Committee, I hope (and I am not a great soccer fan), but in looking at the recent match between yourselves and local authorities, 11 out of 150, would you put the score at local authorities 5, Department for Education and Skills 1? Would you not think that was a fair assessment?

**Mr Normington:** It was 19 local authorities that were not passporting, and now it is down to 11. Maybe it is a draw.

**Q65 Chairman:** We will leave it at that. Before we move off this, there is the general point that I do hope you will look at the evidence that this Committee has taken on its secondary education inquiry, particularly on teacher recruitment and retention, because I really would like you to read the last few sessions and assess whether you should not do something pretty dramatic about how well we keep the statistics about staff. We have had a lot of evidence that suggests that here is this large number—you have got nearly 5,000 civil servants—but you do not know how many staff you have got, how they are coming in or the overall picture of your staff movements and changes.

**Mr Normington:** Do you mean in schools?

**Q66 Chairman:** Through schools. Right throughout the school system. In my view, you do not know because the stats are not there. Why do you not know?

**Mr Normington:** You have to ask the question as to whether you really want the Department for Education and Skills to have detailed information on every single school in the country, because that does imply a different way of operating from the one we have had before. We have a system, or we have had for a long time, where local decisions have been taken about standards, pushed right down to school level, and they are moderated by what happens at the local authority. I would resist a system where I collected more and more data from schools. If I did that I would be before you and, deservedly, before head teachers complaining about the level of bureaucracy and the demands on schools. We do collect information once a year about school staffing, and I think that is enough. Unless we are going to manage every school directly and actually interfere with their staffing decisions we should not be collecting that information on a regular basis. That is a pattern of school management and school system that we do not have.

**Q67 Chairman:** I am not suggesting you do some heavy-handed bureaucracy. What I am suggesting is that the evidence coming before our Committee thus far would suggest that no one has accurate data, and if that is the case how on earth, in your sort of business, can you plan the future supply of teachers and specialities and all those things that any large organisation like yourselves must be interested in?

**Mr Normington:** I still think we can do that on aggregate, on the basis of the annual survey that we do. That is sufficient information for good planning.

**Q68 Chairman:** I hope you will read the transcript.

**Mr Normington:** I will.

**Q69 Chairman:** I also hope that you will look very carefully at the teachers' unions who appeared before this Committee on Monday, especially Mr McAvoy's allegation that the 20,000 extra teachers that the Department is publicising does not really add up to 20,000, in fact it adds up to about 957—I think that was the figure. I really do hope you will look at those.

**Mr Normington:** I am almost certain that he has put those things to us directly, but I will have a look at what he said.

**Q70 Chairman:** Are we going to have a comment on whether the 20,000 is accurate?

**Mr Normington:** I believe so, but I had better have a look at what he said.<sup>7</sup>

**Chairman:** It would be very interesting to this Committee.

**Q71 Paul Holmes:** One short-term answer to the funding problem this year was the suggestion from the Government that schools could use their capital budgets; instead of repairing and maintaining the building they could use that to shore up the funding shortfall this year. Firstly, is that not an admission that the Government got its calculation of these figures totally wrong this year? Secondly, one person in my constituency who works in this area has contacted me to suggest that this will compromise health and safety. If you are diverting money from essential repairs you may well be endangering the physical safety of people, pupils and staff, who are in those buildings. Does it not admit that the Government got its figures wrong, to be saying "Use your capital budget for running costs instead of repairs", and will it endanger health and safety if they do that?

**Mr Normington:** The decision to allow them to use capital does reflect the fact that we think that some schools do not have enough money and, therefore, need to find more flexibility in their existing budgets. Yes, that is why we took that decision to try and give them more flexibility. I would advise no school to divert money from essential health and safety because that is a basic legal obligation and we are certainly not advising them to do that. They should only do that if that money is not needed for essential items and after consultation with the local authority.

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It is only a one-year thing. I do not think it is a solution for every school, and we certainly have not given that impression. Many schools will not want to do that and it is a decision that will be taken locally. I would not want to give anyone the impression that we want that decision to be taken without some sense of context in schools. Anyway, no sensible head would behave like that, they will deal with health and safety first. So it is no solution for some schools because some schools have got to spend it on essential works. Other schools are building up their reserves of capital to spend it on a bigger project and they will have to judge whether that is a problem or not. There are all kinds of decisions. It is a helpful bit of flexibility but no more than that.

**Q72 Paul Holmes:** So heads might have to choose, in some circumstances this year, between sacking a member of staff and increasing class sizes or doing essential repairs?

**Mr Normington:** In the end a head teacher will have to take decisions to live within budget, and clearly they have a number of things they can do. We are not saying to them “Put the spending of your capital money ahead of everything else”, they will have to take that decision locally. We have a very devolved system of budgeting, and clearly a head has to take that decision.

**Q73 Paul Holmes:** If schools do use capital budget from this year to shore up spending elsewhere, will they be compensated for that next year or will they fall behind in their capital repairs programme completely?

**Mr Normington:** They will not get extra money for capital next year to compensate them for the loss of money this year. Of course, it does depend on what their settlement is next year and the year after. It is always possible to move money into capital if there are surpluses in other parts of the budget. So there is that flexibility, but there will not be direct compensation for them in the way you describe, no.

**Q74 Chairman:** Schools have done well but how much of a problem is schools holding large amounts of surpluses across the country? Have you any estimates of how many are holding large sums? One hears of one London borough's schools together holding £8 to £10 million. Is that common? Do you see that as a problem?

**Mr Normington:** It is possible that is the case. There is quite a large amount of money in surpluses in schools across the country, but it is very variable from place to place. I have not got in my mind what the total figure is but £8 to £10 million in a particular, large local authority is quite possible. I had this conversation with a head teacher and I said “Why don't you use your surplus for this?” and he said “I am saving it for a rainy day.” I said “I think it is raining.” So there clearly are surpluses, which are in some cases being held because there are things the school wants to do the next year or the year after, but also sometimes they are being held in order to

smooth the school budget and to avoid there being ups and downs, and sometimes surpluses have to be factored in, but they are very, very variable.

**Mr Crowne:** I think we would expect every school to plan prudently and keep a prudent level of surplus, but the concern arises when those surpluses look excessive and there is not a kind of explanation of future commitment, as David has suggested. In some local authorities and in some schools there is an issue of excessive surpluses.

**Q75 Mr Chaytor:** Is not the essence of the problem that we have, in theory, a devolved system of school budgets but, in reality, we have a national system of fixed costs, and this is the dilemma because the overwhelming proportion of any school's budget is determined nationally, either through salaries or through pension contributions or other factors? Is this not at the heart of the issue, which means we are never going to be able to make a success of the system that we have got?

**Mr Normington:** That is partly true and there are clearly some costs which are fixed nationally either by national pay settlements or, of course, by taxation and so on. That is undoubtedly so. It is still possible, though, within that, to take all kinds of decisions about who you employ, about the mix of staff, about the proportion of teaching staff you employ. There is quite a bit of flexibility there, but I accept the general point that there are quite a lot of fixed costs. If, as in many schools, 80% of the budget is in staffing, clearly the costs associated with that staffing—whether fixed by national agreements or local agreements—do reduce the school's ability to manage that; they have those costs.

**Q76 Mr Chaytor:** Can I just clarify—before looking to the future, which is what I want to do with you—a couple of points that were made earlier, firstly by Mr Crowne, on the impact of the floors and ceilings? Did I understand you to say that although the floor was fixed at 3.2% the increase in National Insurance and pension contributions was built in on top of that?

**Mr Crowne:** Yes.<sup>8</sup>

**Q77 Mr Chaytor:** So that neither of those components should have caused a problem in this year's budget. That was budgeted for.

**Mr Crowne:** Yes. At national level that was budgeted for. As we said in our memorandum, it is the way these different changes came together at the local level that was critical. So the way that the actual costs of all the changes relating to staff fell on individual schools will depend on the staffing structure of that school. I would like to stress that the distribution impact of those changes is very important because when you have got quite big changes to pay costs, which will inevitably impact differentially depending on the costs of individual members of staff within a school, you will see,

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<sup>8</sup> *Note by witness:* The floor was fixed at 3.2% and the increase in Standards Fund and pension contributions was built on top.

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inevitably, more stress in the allocation system. There is just more of a range of different circumstances that have to be dealt with locally.

**Q78 Mr Chaytor:** One other point of clarification: Mr Normington, you said earlier that in the funding formula we have a component that takes account of the differential cost of employing teachers. Is that strictly accurate? Is it not the case that we have a component that acts as a proxy for the differential costs of employing teachers?

**Mr Normington:** Yes.

**Q79 Mr Chaytor:** Under the old system is it not the case that the components that identify different costs—the area cost adjustment, as was—grossly over-estimated the real costs of employing teachers?

**Mr Normington:** I think that is true. I am right at the limits of my understanding on this. I believe we have a more accurate proxy in the new formula.

**Q80 Mr Chaytor:** My question is, would the new formula not be better and more effective if it was based on real costs rather than continuing to base it on proxy? What was the Department's view on this during the negotiations over the new formula? Does the Department have a view that it should continue to base it on proxy costs or on real costs?

**Mr Normington:** It depends what “real costs” means. If it means we pay for everything it is spending—clearly you can see why we would not be very attracted to that.

**Q81 Mr Chaytor:** It is a real differential. Are we talking about real differentials?

**Mr Normington:** Yes. You use average cost figures, you use averages, and that means that you do, in a sense, smooth out the effects of those formulae across an area, but we do try to take account of, for instance Inner London, Outer London and the South-East, where costs are higher, and actually try and take into account other costs than just salary. I think it would be very difficult for it to be precisely based on actual costs. I do not see how that would work. There was an argument about this; a lot of the argument was “You should fund activity” and, as you are saying, you can see why we would not buy that because that is just an invitation to have activity. What we really want is outcomes.

**Q82 Mr Chaytor:** Is it not possible to establish an agreed level of activity? It is not an impossible task to do that. I can see the point that the teacher associations were arguing strongly for an activity-led funding model and that you were resisting that, but it must be possible to reach agreement, given all the other issues on which you have reached agreement with the teacher associations? Why could an agreement not be reached over activity-led funding?

**Mr Crowne:** I think it would be a heroic assumption for us to be able to, as it were, crystallise a consensus about the activity that should go on in every school to deliver the outcomes that we want. The fact is that in practice, the way education is provided, the way

schools work, is constantly developing and changing, and indeed we are encouraging innovation and encouraging different ways of achieving outcomes. I think for us to go in with a single model, as it were, driving resource allocation based on some assumptions about how it should be done, would be a very—

**Q83 Mr Chaytor:** The National Curriculum is an assumption about how it should be done. We have the most prescriptive curriculum in the western world. It must be possible to agree the average level of staffing to deliver what is required by the National Curriculum—leaving aside issues of local innovations.

**Mr Normington:** The National Curriculum actually sets outcome standards. It does not tell you how much resource you need to spend in a particular place to achieve those outcomes. What we tried to get to in this current change was a more accurate assessment of what the costs were of educating different kinds of pupils within that National Curriculum framework. I think it is better (and actually I think it is fairer) and it is certainly more up-to-date because the previous formula was based on 1991. So we are trying to get to the kind of system you want, but I think it is, given the variety of factors around the country, very difficult to go all the way.

**Q84 Mr Chaytor:** One further point about the last few years. At some point during the debate about the funding issue the Government allocated an additional amount of £28 million. Two questions: first of all, what are the criteria for the basis of that allocation and, secondly, where was that money taken from within the Department?

**Mr Normington:** I will ask Stephen to deal with the criteria. In fact, in this period we put two extra amounts of money in: £11 million to Inner London to cover the pay settlement which meant a big increase in teachers' pay in London, and £28 million to deal with some of these problems about how the 3.2% floor was impacting. I will ask Stephen to explain how we did that. Where did this money come from? Well, it came from underspend within the Department's budget. All the time, if we think there is real underspend we are looking to re-allocate that. So far, £39 million is the underspend in the Department's budget which we felt it was safe to put in to deal with those problems.

**Q85 Mr Chaytor:** Is that the anticipated underspend for 2003–04 or the real underspend for 2002–03? This is an identified underspend for the last financial year which is run forward to this?

**Mr Normington:** Yes. There is on the record a figure for the in-year underspend for the Department. Some of that is simply money committed which is not spent. We have end-year flexibility and therefore we can try to estimate what we think is the real level of underspend which we can safely commit to our forward budgets. In the schools area we have that £39 million but we have also allocated £40 million to

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higher education to deal with the arguments about the right level of funding of the research assessment exercise outcomes. So that is £79 million all together.

**Mr Crowne:** On the criteria for the £28 million, effectively what that was for was to convert the 3.2% floor which applied simply to education formula spend funding—in other words local authority funding—to a 3.2% floor taking account of the changes in the standards fund grant as well. So where an authority was on the 3.2% floor and was adversely affected by the standards fund changes, we compensated them so that we could say that every authority had a 3.2% floor when you took into account both the education formula spending and the grant changes.

**Q86 Mr Chaytor:** In terms of the rolling up of the standards fund into the core allocation, when was that decision taken?

**Mr Normington:** The decision to do it was taken after the spending review last year. It was part of the agreement with the Treasury that we would begin to unwind the level of central grant funding and we would end some of it and we would also transfer some of it into local authorities. So both those things have been happening.

**Q87 Mr Chaytor:** So there was a six-month period between the Department deciding to integrate the standards fund and the announcement of this year's settlements?

**Mr Normington:** I think yes, but actually probably that was not announced until—

**Q88 Mr Chaytor:** The planning time is what I am trying to get at.

**Mr Normington:** The planning time was short.

**Q89 Mr Chaytor:** But it was, surely, possible to anticipate that coupled with the redistribution built into this year's settlement the integration of the standards fund into the core budget would have caused a lot of turbulence?

**Mr Normington:** Yes. It goes a bit like this: there is a lot of money going into the system—was our first thought. That is still the case. What we did not have at that point was a conclusion to the debate about how the main funding settlement was allocated. So we are sort of working through a list here and saying “There is this change, and there is this change, and these are demands and then there is the standards fund.” It goes back to the discussion we were having about our ability to plan sufficiently far ahead for it to be modelled locally. So even if you take the ending of the standards fund, we are doing two things this year: we are actually transferring some of the demands and some of the money to cover those demands. In other cases we are saying we think the standards fund grant has run its course and is not needed. So both those things are happening, which again complicates it. I am sorry it is complicated.

**Q90 Mr Chaytor:** Just looking forward to the future, you will appreciate that those of us who believe in conspiracy theories are deeply suspicious

that part of the furore over this year's allocation to schools is generated by those schools and authorities who were beneficiaries of the previous funding system, particularly through the area of cost adjustment, who are hugely—and their supporters—resistant to the redistributive effects of this year's settlement. My question is, how do you anticipate that the solving of the problem in the future will impact on the Government's capacity to gradually phase out the floors and ceilings and, thereby, allocate to those authorities who ought to be benefiting the full fruits of the benefit that the formula should be giving them?

**Mr Normington:** I think that what you say is very interesting. There has not been a debate about the underlying principle of actually redistributing schools' money around the country. Of course, that is the underlying issue here. The big change is about trying to move to a formula which the Government believes is fairer in distributing money. You will get winners and losers in that. That is the basic issue. You are right also in saying that the full effects of that is dampened by putting in floors and ceilings, and that the louder the noise the more difficult it is to get to the final point where that all works through. I am quite sure that assuming we stick to something like the present system next year there will have to be more floors and ceilings. I imagine that would have to be part of the arrangement but if we believe that this funding distribution settlement is fairer we should get to the final point because if it is fairer it means there will be a fairer distribution of money round the country. I believe that case is not understood and not argued and it should be argued, because after all there were a lot of people involved in trying to work out a fairer formula to distribute money round the country. By the way, of course, we believed that since the amounts of money going into education this year are so large, 11.2%, you could make those changes and have increases in every place as well.

**Q91 Mr Chaytor:** But the losers are fighting a rearguard action. I am interested in what the Department is going to do next year in terms of putting money in to supplement the formula which will have an effect on the process of redistribution.

**Mr Normington:** I cannot answer that.

**Q92 Mr Chaytor:** Will you speed up or slow down the process?

**Mr Normington:** I cannot answer that. I think we have to continue, if we believe in the formula, but how quickly we go—

**Q93 Chairman:** Why can you not answer that? In the sense that local authority education spending plans have already been set, have they not? They are in the spending review.

**Mr Normington:** Yes they are, but we are taking another look at the position as a result of what has happened.

**Q94 Chairman:** But their assessed method is locked in place, is it not?

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**Mr Normington:** The basic formula is but there is a question about how much money there is, a question about how it is distributed and a question of whether we end central grants—there are all those sorts of issues. There is also the question of what demands there will be in the system and there is the question of the floors and the ceilings, which is what Mr Chaytor is concerned about.

**Q95 Chairman:** You can do that for 2004–05 now—you can put in floors and ceilings now.

**Mr Normington:** Not until we have actually looked at the whole position that I have described.

**Q96 Chairman:** On the one hand you are saying “not until”, but what we are arguing is because you have accepted the system and the navigation is set you have not convinced us that there is any real flexibility. We suspect, if there is not, you are going to hit the same turbulence next year.

**Mr Normington:** I said to you I did not think we could simply stick with the way that it happened this year.

**Q97 Chairman:** We are saying we do not think you can change it.

**Mr Normington:** One way we can change it is by changing the floors and ceilings. Of course, as I think you were implying earlier, the way we set the floors and ceilings for education has a significant impact on the rest of the local authority settlement, and if we get that wrong, as you were saying earlier, then we are actually saying “You should spend all the money on education and you have got nothing for your other services”. Those are discussions, of course, that we need to have, and it will take a long time because we do not want to get it wrong.

**Q98 Mr Chaytor:** One last question on that, perhaps, is that local authorities have been given indicative allocations for the next three years. Are those going to change as a result of your attempts to make sure this does not happen again? Do you stick by the indicative allocations?

**Mr Normington:** We try to stick to the indicative allocations, but within the overall allocations we have to look at the impact on education. I do not want to commit myself to doing anything, otherwise I will have 150 letters complaining we are going to change it or I will have 150 letters saying we are not going to. At this moment we are taking a serious look, with local government, sitting round the table, at the impact of this year’s settlement and the likely impact of next year, and there may be some changes.

**Q99 Chairman:** What are the options now that you are giving to the Secretary of State for avoiding turbulence next year?

**Mr Normington:** At this moment we are still dealing mainly with the impact of what is happening this year, but clearly we are looking at things like the floors and the ceilings that you put in; we are looking at issues about whether we should end the standards fund grants in the way that we planned, and if we do whether there should be a transfer of money again.

We are going to press the School Teachers’ Review Body again for a two-year pay settlement and we are hoping to engage some of the teacher trade unions and associations in that because we think that will provide stability to budgets. Then there is the question of whether we use our powers to be a bit more specific about how local formulae should ensure that the money gives every school a reasonable settlement per pupil, which is what the Secretary of State has said he wants to happen. There are quite a lot of things within the overall system about how the money is allocated which we are looking at, and none of them are easy.

**Q100 Chairman:** So you are still tending a fire in the boiler room for this year at the same time as you are trying to navigate into next?

**Mr Normington:** That is often the case in education.

**Q101 Chairman:** OK, now we know where you are. We want to briefly touch on Private Finance Initiatives and PPPs—Public Private Partnerships. What is your view in terms of what they bring to the education sector? What is the forecast for where we are going in terms of PFI and PPP? Are they successful? Are they not successful? What do you think of the Audit Commission, who thought that there were some problems?

**Mr Normington:** I think they are an essential part of the way forward and they are bringing extra capital spending into our education system. They are enabling schools to get much higher quality buildings and a much higher, long-term, consistent service for maintaining those buildings. A lot of schools—500 schools—are now involved in significant PFI projects and another 400 schools are in the pipeline. So it is becoming an essential way of ensuring that we refurbish the school estate after a long period of it not being refurbished, coupled with a much better level of maintenance over those buildings, so you get better value for the investment you have made, and actually you take some of those problems of maintenance away from the head teacher and the other professional people. What the Audit Commission was saying was that there had been problems with some of the early projects—and indeed there were; problems which were as much about procurement (and you might have had those problems in procurement anyway, even under conventional building) as they were about PFI. The Audit Commission also said that we were learning from that. We have also paid more attention, partly as a result of what the Audit Commission said, to the quality of the building and changed slightly the standards.

**Q102 Chairman:** What are these five designs for primary schools? Where did you get those? Decent architects?

**Mr Normington:** Yes.

**Q103 Chairman:** It is not someone in a back room in the Department?

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**Mr Normington:** There are two things about this: one is that it is best design and, secondly, that it is not imposed design on localities and that they can still make choices themselves. It is certainly not my architects that are designing these buildings. That used to happen in the 1960s and that is why all the schools built in the 1960s look the same.

**Q104 Chairman:** In terms of PFI, are you not in danger that there are a very small number of players? There is a remarkable dependence on Jarvis in PFI, and you are now embracing Jarvis more closely in other ways. Is that not a danger? You have already had problems with getting too close to Capita on a large number of contracts (Individual Learning Accounts were part of that). If you get close to one or two big players is that a danger for your Department?

**Mr Normington:** I do not think we are too close to big building contractors because, of course, all these contracts are let locally; it is a completely local decision as to who they let the contract to. Clearly, however, one of the effects of having bigger projects, which some of these PFI projects are because they involve groups of schools, is that some of the big building contractors become big players. Jarvis is one of those, but that is not about their relationship with the Department.

**Q105 Chairman:** I am reasonably happy with the work Jarvis is doing in my own local authority in Kirklees, which is one of the earlier and larger PFIs, where there have been some problems. Just like Individual Learning Accounts, it is the contract, is it not? There is a problem with the quality of the work. New building seems to work with PFI but a lot of these construction companies find it very difficult to work round people, especially people trying to teach and learn. We found that a very big problem, in my experience.

**Mr Normington:** I am aware of the problems you have had in Kirklees. Some of those are contracting problems. Clearly, building schools is a very skilled job. Building an environment where you can teach and learn is a skilled job. The best way of getting good design is to involve teachers and pupils in actually talking about what goes on in a school, and the best designers and the best builders understand that well. It is also very difficult in time terms when you are building a school, or rebuilding a school, to try and manage that while the school is also functioning. Therefore, you find that it is very difficult for some projects to stick to time. One thing that PFI does is transfer a lot of the risk and a lot of the cost of delays and problems of the sort which you have had in Kirklees for a while, to the private sector contractor and reduces the costs that are carried by, for instance, the local authority. It does not remove the disruption that goes on in those schools, of course, while the building project is being delayed.

**Q106 Chairman:** It does not remove the harm to children's education when schools cannot open on time.

**Mr Normington:** That is true, but the actual monetary cost of that is borne by penalties on the contractor. That is what happened in Kirklees.

**Chairman:** Have a good talk to Jarvis about their designers, will you? Perhaps an object lesson is to look at the new headquarters they are building in Smithfield, which is an awful building.

**Q107 Valerie Davey:** The expertise your Department has got, surely, should be giving the guidelines to these contracts? You lay a lot of emphasis, and I understand that, on the maintenance of these buildings, but the cost, for example, of heating still falls back on the school. We visited, as a group, a school in Birmingham—a brilliant, new PFI school—and they had taken a lot of trouble over the space and the design but then they found that the heating costs had doubled or trebled. Why on earth was that not one of the kite-marked items in drawing up the contract? It seems so obvious.

**Mr Normington:** We do produce a great deal of central models of good practice and contract models as well; we put a lot of effort into that and into supporting local authorities in improving their capacity to let those contracts. I do not know the answer on heating. I can find out precisely what we say about heating in our guidance.

**Mr Crowne:** We will come back to you on the specific, but that comes back to the design issue. We acknowledge that we need to do more, and we are doing more, to invest in exemplary design which will deal with issues of running costs and so on.<sup>9</sup>

**Q108 Valerie Davey:** We are talking about the costs to the authorities, we are talking about the costs to the school. You talk about the cost of maintenance which we hope we have off-loaded to the contractor, yet you are left with a severe cost, in this case, to the school of the heating because of the design fault—you are quite right—which was not taken into account by the contractor because they were not going to bear that cost.

**Mr Normington:** There are two issues here. First of all, it is very surprising. Energy efficiency is high on the requirements of all new-builds, so it ought to be the case that every new school is cheaper in terms of its energy costs.

**Q109 Chairman:** It should be cheaper. Every new school should be designed to a high level and be a sustainable building.

**Mr Normington:** We provide that sort of guidance. I do not know why, it is very odd. In the way that the contract is drawn up, if there is a design fault which results in those extra costs, those costs ought to be borne by the contractor—depending, of course, on what the contract says. That is what ought to be the case. If we get this right, because the contractor is going to provide a lot of the continuing support for the school, then if the contractor gets it wrong at the start they ought to bear some of the costs of getting the design wrong. That is what the contracts are

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designed to do now. That is why it ought to be better because in the past they built the school and walked away. Now they are building the school and staying there, so they have an interest in having very cost-effective design. I am quite interested in the case, really, because it ought not to be like that.

**Valerie Davey:** Can I just say, we have got new schools coming forward in the Bristol area for whom BDP are producing some remarkably good designs. I very much hope you are going to learn the lessons from the earlier ones and have the benefit all round.

**Chairman:** When we went to both Northern Ireland and the Irish Republic, in Belfast we saw a school that had consulted with the staff and the parents early in the planning process. It was a delightful school, one of the best designed schools I have seen. Should I mention that we went to Dublin and saw the worst designed school I have practically ever been in, and they did not have consultation, they just built it. It was a great lesson to the Committee.

**Q110 Jeff Ennis:** I just wondered if there was still a reluctance on the part of some local authorities to go down the PFI route?

**Mr Normington:** There was initially but I do not think that is much of an issue now because this is so much a way of getting your school estate refurbished and bringing forward long-wished-for building plans. So there may be individual cases, but I do not know of them. I do not have any sense that there is now major resistance to this.

**Q111 Jeff Ennis:** So we are talking in terms of a handful of LEAs, perhaps, out of 150?

**Mr Crowne:** We have got over 100 LEAs who have submitted bids at some point. With the Building Schools for the Future programme coming up many more are thinking about it. I think there has been a growing understanding of what PFI is and what it delivers for you.

**Mr Normington:** It is only part of the spending; it is still not the largest part of the money, which will shortly be £5 billion a year spent on capital refurbishment or capital building. This is an amazing story, and the possibility of actually completely renewing the secondary school estate in the next ten years is one of the most exciting things.

**Q112 Chairman:** That is why this Committee wants it to be that schools will look good and be an excellent environment for teaching and learning. Too often we go to schools, as you said built in the 1960s and 70s, which are ghastly to teach in and learn in.

**Mr Normington:** I entirely agree we all have that experience of saying, "why on earth was it built like this?"

**Chairman:** We have just moved to targets and performance, I know it is a cruel and unusual punishment to keep you here for more than two hours, but let us look at targets and performance.

**Q113 Mr Chaytor:** Is there a strategy for deciding what targets to set, at whatever level, primary, secondary, FE or HE? The feeling is that some of

these targets are plucked out of the air a little bit and I think the Secretary of State's recent announcement on the primary target was that there was going to be further devolution for schools and LEAs to decide their own targets. Do you have an overall view? How do you go about the process of target-setting?

**Mr Normington:** Target-setting at a national level is related to the Spending Review associated with Treasury, where they say: If you are asking for this amount of money what are you going to deliver in terms of outcomes for that money? What are you going to deliver across the main phases of education outcomes that you want from primary through secondary, from young people into adulthood? In that sense there is an attempt to align the national targets with the main outcomes we want at particular phases of education and training. That is related to a view of what is possible and also what is important for the country in terms of its economic performance for individual children.

**Q114 Mr Chaytor:** Is there a logic to it? Is there a price for each percentage point increase?

**Mr Normington:** I am sure the Treasury would like that but it does not work like that. I am personally very keen that we should have outcome measure targets against which we are held accountable. Getting those right is really important. If you get them wrong you distort the effect on the system. No, there is no perfect measure between saying if the target is 80%, this is the amount of money we need. That is negotiable. Based on what we are doing now and what we think is possible with existing resources the Key Stage 2 target, which is the 11-year-old target, is a very good example of a target which matched precisely what most people believe is an essential component of primary education, i.e. they want their children to read, write and do maths well. Although they want lots of other things they do want that as an essential component. If the children do not get that, their chances of progressing on to good GCSEs are poor.

**Q115 Mr Chaytor:** The choice of the subject for the target and the level at which the target is set—Key Stage 2 targets were set too high, we now accept that—do you not accept there is an arbitrariness about some of the choice of targets? I quote, for example, the one over modern apprenticeships, we set a percentage for the number of young people to have modern apprenticeships by the age of 22, the one for higher education we define young people as those between 18 and 30. 18 and 30 are pretty arbitrary age ranges, do you not think that tends to discredit the whole notion? People understand targets at 11 and 16 and 18 but why 22 and why 30?

**Mr Normington:** It is not perfect, of course, but what we are doing by trying to look at the whole 18–30 age group is recognise that in terms of people's higher education it is not the case now that at 18 or 19 everybody goes, and does a three-year degree. There is a trend for people doing higher education to do it later and to do it in their 20s. What one is trying to encapsulate with some of the adult targets is a sense that you want to have a higher level of skill in the



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workforce. There is a balance to be struck between the supply, young people coming through, and the stock. If it looks a bit uncomfortable, and it is a bit, it is because we are trying to balance those two things. It is important to have in the system I think a sense that at particular phases you are preparing children and young people for life and for work, as well as saying "We have a stock of people in the workforce now and we want to upgrade their skills", and we are trying to capture both.

**Q116 Mr Chaytor:** Finally, in terms of the HE target, the 50% participation rate, did that come out of your annual discussions with the Treasury?

**Mr Normington:** I think it is the case that it was, first of all, a manifesto commitment, was it not? I think so. Some targets come out of political commitments that are made, and that is what manifestos are about, is it not?

**Q117 Mr Chaytor:** Was the original political commitment for 18–30 year-olds, or was the 18–30 age range invented to fit the commitment, the definition of young people?

**Mr Normington:** I am not an expert, as you would expect, on the Labour Party's manifesto. I do not think the age range was mentioned in there. It really is not the case, although there are a lot of people trying to claim it, that we are trying to manipulate the targets. We are trying to get a target which matches the need. That is what the 18–30 target reflects.

**Ms Thompson:** If I may, Mr Chairman, I actually have chapter and verse on the origins of the higher education target, and it was indeed the case that the Prime Minister announced this aspiration and he announced it in 1999, and he did refer to the age group 18–30.

**Mr Chaytor:** I think he did not refer to it on the first occasion he announced it. Some of us were there on the first occasion.

**Q118 Chairman:** Can we have your reaction to this? The Institute of Higher Educational Research (very respected people) came out with a piece of research that we have had time to see—and I am sure you have seen it also—that says that even doing nothing we will have another 150,000 students presenting themselves for higher education purely because of demographics between now and 2010, and because the school improvement programme is working another 100,000 will get two good A-levels. So about a quarter of a million more students coming into HE. How do you meet that challenge?

**Mr Normington:** I do not know precisely. It is generally true there is an increase in young people.

**Q119 Chairman:** It is true it is nearly a 50% target by 2010 by a natural process.

**Mr Normington:** Yes, except that the demographics do not help you with the target at all. You have to have an extra 150,000 before you begin any increase in the percentage. The second figure you mentioned, which is particularly increasing, we hope will result partly from better performance in school. There are

two things going on and there is a need to fund those things, one is demographics and one is the increasing demand coming from students.

**Q120 Chairman:** You have already put a cap on any further expansion from higher education to 2006? What are you going to do with all those kids that are going to come through qualified to get regular honours degrees, are you going to stop them coming in?

**Mr Normington:** Most of the increases you have described are after 2006, but there is some increase before then, but the answer to you is that we are planning that the main increases should come from an expansion in foundation degrees.

**Q121 Chairman:** Mr Normington, what is concerning me is when you look at your Annual Report you look at a very healthy growth in the percentage of education spending as a percentage of GDP, you say that it has gone from 4.5% to 5.1%. That is a healthy trend and even healthier in a booming economy. When you break the figures down first of all we hope, and I do not know what your view is on this, that the United Kingdom will rise up the international league where we see the United Kingdom is 4.7, Finland 6.2, France 6.0, the same as Germany, Canada and America 5.7 and 5.2%. These are figures from 1999, do you anticipate that we are going to go up the league in percentage GDP on education?

**Mr Normington:** We are certainly going to increase by 2005–06, on present plans it will be 5.5% of GDP.

**Q122 Chairman:** Can we do better than our competitors?

**Mr Normington:** It depends on what our competitors do. We are moving up the league very significantly and 5.5 by 2005–06 at present will get us to about the average.

**Q123 Chairman:** Is that right? Let me take you to another thing, another table in your Annual Report shows education expenditure, 1997–98 to 2002–03. I am very impressed by the figures, 1997–98 to 2002–03, schools currently in England plus 34%. This is percentage of millions in real terms, 34%; under fives plus 60%; primary, plus 25; secondary plus 29; others plus 69, schools capital plus 80%; further education and adults plus 38%. You and the Government deserve a pat on the back, do you not?

**Mr Normington:** Yes, but of course it depends what is being achieved with that money as well. You also have to judge us by our outcomes.

**Q124 Chairman:** Outcomes are important.

**Mr Normington:** Yes.

**Q125 Chairman:** We talked about some of those today. Then you slip your finger down to higher education and there is hardly any growth at all. Student support minus 12%. Those are very interesting figures when we have a White Paper that extols the virtues of economy. We have recently

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completed a report on higher education, these are astonishing figures if you compare them with the largesse further down.

**Mr Normington:** Higher education has had the lowest increases of all of the sectors, it actually has had almost no increase in unit costs until this year. This will be the first Spending Review period since the beginning of 1990 when spending on higher education has increased. However the White Paper does not just talk about the importance of higher education: it talks about others making a contribution to higher education. The reason for the fall in the amounts being spent on student finance is because of the funding, the new student loan system, the previous changes to student loans coming in, so students contributed more. With the Government's proposals the aim is to get more money into universities and some of that money will come from students and families' contributions.

**Q126 Chairman:** We will come back to that on the higher education White Paper. The one thing we must ask you about before you go is that you have had a run of, I would not say bad luck, but certainly areas where we have been very concerned as a select committee. We have tried to be the voice of not only Parliament but also the taxpayer. Do you not feel slightly guilty that here are the taxpayers, they see serious problems, on the one hand money is being spent on serious problems and on three separate occasions this Committee has highlighted it. Is there any stage at which somebody in your Department might be asked to resign? Do you think a minister should resign with a catalogue of these events or do you think that is an old-fashioned principle?

**Mr Normington:** I think people should take responsibility for their mistakes. We have had resignations, ministers have resigned, so it does happen. I think civil servants should take that responsibility. I have to argue with you that with each of those three cases they are all different. As you commented on the A-levels, the frenzy we had did not match what happened and what the impact was on students. I want to be judged on whether we have done our best to get it right, and sometimes we will not and in the end somebody else will have to decide whether I should stay in the job or not. I do get my performance reviewed and, of course, we talk about those three cases that you have described and my part in putting them right.

**Q127 Chairman:** We take that point and we will consider that answer. Can I just remind you of one thing, the Individual Learning Accounts. We were very impressed by the response that the Department gave to our inquiry Report. We have not been impressed by two of your subsequent answers, one on the British Library, we were very discontent, and we are not happy with the reply we received on the A-level inquiry. We are not accepting that. We are sending it back to your Department or to you to think about again. We do take the quality of those responses very seriously indeed and we are not happy we have not achieved the same standard we had on ILAs this time.

**Mr Normington:** I am sorry about that. I will personally have a look at what happened with the A-level report and why you did not like it. I think the answer on British Library is you propose something specific, specific investment, and we have not made it, that is the digitisation of some of their own material. We have not have given up on that.

**Chairman:** Mr Normington, as I said over two hours is a cruel and unusual punishment, thank you very much for your evidence.

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#### Supplementary memorandum submitted by the Department for Education and Skills

##### INCREASE IN THE NUMBER OF TEACHERS (QUESTIONS 69–70)

The Chairman raised the number of extra teachers that had taken up post between 1997 and 2003. This subject had been raised at the Committee's hearing on 23 June by Doug McAvoy who contended that the numbers of extra teachers was 968. (Questions 317–321).

The statistics that the Department holds are that there were 423,900 full-time equivalent regular teachers working in maintained schools in England, compared with 399,200 in January 1997. The increase in full-time equivalent teacher numbers over this period is therefore 24,700.

At the hearing with David Miliband on 9 July the reasons for the different views were explored by the Committee. Partly it is a question of definitions but comparing like with like, there is no doubt that there has been a considerable increase in the workforce.

##### CONSTRUCTION STANDARDS FOR SCHOOLS BUILT UNDER PFI ARRANGEMENTS (QUESTIONS 107–109)

Valerie Davey raised the case of a school in Birmingham where the costs for heating had risen after the new building had been constructed under PFI arrangements.

Without knowing the precise arrangements it is difficult to establish the position at the particular school.

The exemption of LEA maintained schools from the Building Regulations ended in 2000. Since then Part L2 of the Building Regulations—Conservation of Fuel and Power—applies to all schools. The Department has issued constructional standards including Building Bulletin 87 (BB87)—the Constructional Standard for Environmental Conditions and the Conservation of Fuel and Power.

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This standard is used by building control bodies as the normal means of assessing compliance with the Building Regulations for schools. BB87 is often quoted as a basis of funding agreements and Building Contracts. The latest edition, issued in May 2003, can be found at [www.teachernet.gov.uk/energy](http://www.teachernet.gov.uk/energy)

When a PFI building is being considered those operating costs which fall to the contractor and those which are the responsibility of the school depends on the individual contract and how the individual risks are allocated between the public and private sector within the contract.

In general the private sectors is expected to operate the school at a quality higher than the school received before the new construction. In return the school contribute from their budget toward the unitary charge, which is agreed before the contracts are signed.

Guidance for schools and LEAs on how to specify the outputs and the quality standards was issued to all LEAs that have ongoing PFI projects, by the Public Private Partnership Projects Ltd in May 2003. Also known as 4Ps this Local Government Association body advises local authorities on PFI. Further updates are being developed and these will be circulated in due course.

*July 2003*

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**Monday 14 July 2003**

Members present:

Mr Barry Sheerman, in the Chair

Mr David Chaytor  
Valerie Davey  
Jeff Ennis

Paul Holmes  
Jonathan Shaw  
Mr Andrew Turner

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*Witness:* **Rt Hon Charles Clarke**, a Member of the House, Secretary of State for Education and Skills, examined.

**Q128 Chairman:** Secretary of State, can I welcome you to our deliberations. It is nice to see you again. I think you have been in your present role coming on for 10 months now.

**Mr Clarke:** End of October to end of July, nine months.

**Q129 Chairman:** You have been in post for a reasonable time as Education Minister. It has been a very interesting period. One of the things that we were taking up with your Permanent Secretary was the fact that it had been an eventful year and I wonder, before we start off, if there are any reflections on this first nine or 10 months you would like to share with the Committee in terms of how things are going in the Department under your captaincy?

**Mr Clarke:** I am not sure “captaincy” is the metaphor I would use, but I appreciate, firstly, Chairman, the chance to come and give evidence today. I enjoy these sessions and I hope that they will be generally useful for Parliament as a whole. My assessment of the period since I have done the job is that I feel very pleased with a number of initiatives that we have taken. If you go through the various policy documents we have done for primary, for secondary, for 14–19, for skills published last week, for higher education, for subject specialisms and so on, I feel that we have achieved a lot in those various policy statements which has moved us forward. I appreciated the response of your Committee to our higher education document that was published last week, and we have found the foundations of a significant and serious modernisation of the system, as I think we have done in the other policy areas that I have described. I feel pleased with those things. I was pleased with the decision of the Prime Minister at the time of the reshuffle to bring together responsibility for children in Social Services and education for the reason that I believe it allows us, for the first time ever, in an institutional way to bring all the various services and supports and funding streams behind the needs of the individual child, around the idea of the extended school for example, in a way that I think will be positive and constructive. I feel that many of the things that we have achieved have been very good, so my overall picture is positive. There is no doubt that the most negative aspect of the year since I have been doing this job has been the controversy around school funding, which has been a serious issue on the negative side, or the debit side of the ledger, if I were

to put it like that, and in some ways has offset, at least in the public relations impact, the positive things which I have just set out which I think are strong and positive. My summary, Chairman, would be that I feel we have maintained and sharpened our agenda for reform and investment at the various levels of education, literally from the age of nought through to lifelong learning right at the end, in a positive and constructive way. I feel very pleased with many of the policy initiatives which I think stabilise where we are going, but I regret the fact that the school funding crisis throughout this period has caused a significant knock to what has been happening otherwise. Obviously my number one priority, as we speak, is to address that in the best way that I can.

**Q130 Chairman:** Thank you for that, Secretary of State. I just want to clear a couple of items out of the way before we get into the meat of the discussion that we are going to have today. I was commenting on Ofsted on pre-school in a programme that I appear on less often than the *Today* programme, *Woman's Hour*, and I promised Jenni Murray I would ask you when you appeared before the Committee this afternoon, are you content with the fact that if a child has an incident, accident, in a pre-school setting that Ofsted is unable under present law, they tell us, to give any details to parents about that? The latest press statement by Ofsted, following our discussions with them, is that they are going to have a code of conduct but it will not work if the pre-school setting in focus declines to involve themselves and to give any information. We are told by Ofsted that they need a change in the law. Is that something that you can look at, Secretary of State?

**Mr Clarke:** Very much so. Ofsted has built a very strong reputation. Principally it has built that strong reputation upon its inspection regime for schools and the various aspects of the operation of schools. It has extended that reputation into the operation of local education authorities where it has become the authoritative commentator on the effectiveness of LEAs and already it has begun to extend its remit into the pre-school area in the way that you describe. Since the machinery of government changes, which I mentioned earlier on, the question of how Ofsted relates to the other inspectorates that have responsibilities in this area is a very important matter which we will be addressing in the Children's Green Paper when it is published in September. I can give the Committee the assurance, and via the

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Committee *Woman's Hour*, that the issue Ms Murray raised with you is one that will be addressed within that context because we need to make sure that the inspection regime at this tremendously important stage of education is sufficiently robust.

**Q131 Chairman:** Thank you for that. If you look at the number of people employed in one way or another in education administration broadly, not just in your Department, which is 5,000-plus, Ofsted is now half that size and growing, between 2,500 and 3,000, and there are recent reports coming out questioning the whole effectiveness of Ofsted in improving standards. Given the massive investment the country is making in this process, I wonder does that give you any cause for reflection and doubt?

**Mr Clarke:** Yes and no. The no, which is perhaps more important than the yes, is that I think Ofsted has done an outstanding job inspecting various aspects of provision of education in Britain, quite apart from the operation of particular schools. I think the regime that Ofsted has established, for example to look at schools in special measures and so on, has been a very important and powerful tool for eliminating poorly performing schools and for raising educational standards generally. I also think that in attempting to identify, as it does, particular trends in educational performance which need to be addressed by Government, Ofsted has done exceptionally well. I will always remember when I was first in the Department in 1998–99 the work that they did on the education of children from different minority ethnic groups. That was path breaking of its type and allowed a much more substantive debate to take place than had otherwise been the case. So, no, I do not think there is a serious cause for concern about the way Ofsted operates. I think some of the criticisms of Ofsted have not been accurately based and in general I am supportive of the way that Ofsted operates. The yes aspect of it is I sometimes wonder whether we, as a Department, have too much of a resource, as it were, shadowing the agencies, such as Ofsted, QCA and so on. That is a matter that our Department is looking at very closely indeed at the moment not just in relation to Ofsted but all other agencies and non-departmental public bodies that we have. I think there is an issue there when you are talking about numbers of people. Do I have any serious doubts about the quality and ability of Ofsted to address key educational issues? No, I do not. I do agree with you, Chairman, that it is necessary to keep the matter under review but I do not have a lack of confidence in Ofsted in any way whatsoever.

**Q132 Chairman:** Just to finish our housekeeping, are you disturbed that all this time on from the Individual Learning Accounts ceasing to exist, we were told because of fraud, that there have been hardly any prosecutions against those people who defrauded that programme?

**Mr Clarke:** I have two responses. Firstly, as far as the responsibility of my Department is concerned, I think we have addressed it very fully and very substantially, and the Permanent Secretary in his

evidence to select committees of this House has set out very clearly the Department's attitude to this and the lessons we have sought to learn from it in terms of public policy. I feel that we have done as strong a job as we could have done, given that mistakes were made of the type that have been described by the Permanent Secretary, to learn what we can, set the record straight and make sure we do not make the same mistakes again. As far as the operation of the criminal justice system is concerned, I observe that, I do not comment on it, if I can put it like that. I have a large number of personal reflections—I had even more when I was Minister for the Police—on the operation of the criminal justice system and I think it would be foolhardy of me, even in these very discreet circumstances, to venture any other views on the matter.

**Q133 Chairman:** Last bit of housekeeping: University for Industry learndirect, is that a good investment? Is it coming to fruition, to maturity? What is your present evaluation of it?

**Mr Clarke:** Pretty good, pretty good. I think that if you look at the number of people who have been drawn into learning who had not previously been, they are a significant and positive impact. I think on the types of course which are available, the types of people who have been brought in and involved, pretty good. I would acknowledge that it is early stages yet and I would also acknowledge patchy across the country in certain respects and not yet consistent in the whole range. I have a regular keep-in-touch meeting with Ufi/learndirect and I feel they are going very much in the right direction.

**Q134 Chairman:** Good value for money?

**Mr Clarke:** I would say good value for money, yes. To an extent I could give a more balanced judgment with a bit more time having evolved, but the early signs are very much good value for money.

**Q135 Chairman:** Right, let us come on to the meat then.

**Mr Clarke:** I thought that was pretty meaty.

**Q136 Chairman:** What concerns the Committee at this stage of the year is if you look at the figures, as I said to the Permanent Secretary, what a massive and welcome investment we have had in education over the last six years. We look at the increase in capital spend, plus 80%, the pre-school budget spend going up by 60%, schools between 30 and 35%, more 35 than 30%. The ones that stand out, of course, are higher education, 6%, that is treading water, and minus 12% for student support. If you look at the large number of pluses, this is the most investment in education in our lifetime, yet over the last year or so we have seen two other instances that seem to have marred that progress so people get a negative image of the development of our educational service. We have mentioned ILAs but last summer with the A-levels and the transition of A-levels from AS into A2s, but most importantly of all in recent weeks many people listening to the radio and reading their newspapers would have thought the secondary

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school system in particular is in crisis with teachers being made redundant and schools saying that they have not got enough money. I said to the Permanent Secretary that you are snatching defeat from the jaws of victory. Do you feel let down by the information that you were given about what might happen with the change in funding to education?

**Mr Clarke:** May I deal with the first part of your question and then answer your final sentence. One of the problems of policy in a public and political goldfish bowl is the relationship between what happens in reality and the relationship with perceptions of what is happening generally. That is simply a fact of life in terms of the media world in which we live and the pictures that exist. I believe that most people who actually live in the educational system, whose children attend primary and secondary school, who go to university or whatever, feel positive about what is being achieved within our education system by teachers, by governors and so on. Although there are issues, and I will come to the school funding issue in just a second, I do not think most people would feel from their own personal experience that the situation is anything other than getting significantly better for their children at the schools that they go to. That is not to say that there are not many criticisms of the state of affairs and many improvements that could not be made, but I think that is the picture generally. If we then look at the two specifics you mentioned. I think for the Individual Learning Account our Department was right to hold our hands up and say that was a mistake and deal with it in the way that we did, but on A-levels, which happened just before I took office, I have tried throughout to set in motion a process through the appointment of Mike Tomlinson, carrying through our actions in response to his report, to oversee the operation of the regime over this period to try to ensure that the problems that occurred there could not recur. It is worth pointing out again, of course, that the scale of what happened was relatively small across the total number of those taking the A-level exam last summer. That is not to say it was not damaging, not to say difficult, but was relatively small. We will not know whether that has been fully successful until the exam results this time around have been announced and so on. At the moment I feel reasonably confident. The overall picture, I would say, except for school funding which I now turn to, the record and experience of most people involved in education and the record of this Department is strong and good. We then come to school funding. I want to say the following: firstly, whether you look at the number of teachers employed in schools in England, the number of classroom assistants employed in schools in England, the pay for teachers, if you take any of those three areas over the period since 1997 there have been very, very substantial increases in each of them, whether you take the figures for England as a whole or each region of England or whatever. I think that has been a good thing and it is that which has led to many of the positives I have just described. There is no doubt that the events of this year on school funding led to a serious

demoralisation amongst many teachers and governors in particular, not simply—I emphasise this—as a result of the media coverage of it, I am talking about people's actual experience not as a result of something that was, in a sense, manufactured. Although it was not universal there was at least a significant minority of schools where there were significant pressures which caused demoralisation of the type that I have described. I think that was a setback, but what I do not accept is the setback that arose this year on funding with its impact on teacher numbers, with its impact on classroom assistants and so on, is anything like equivalent to that tremendous increase which has taken place as a whole over the last four or five years. The only aspect of what happened in media terms which I really regret, is the sense that some people tried to create that the events of this year offset all the advantages and moves forward there have been over the past four or five years, because I simply think that is not true and it is demonstrably not true in each area that you come to, but it did have a demoralising effect and real problems in certain schools, no question about it.

**Q137 Chairman:** In a sense you are head of PR for British education, are you not? The newspapers and media will run with stories if you do not counteract them, so in a sense you have to get that balance right and reassert that all the positives are much greater than the few negatives. If you are going to put people's minds at rest, could you clearly articulate what you think was the heart of the problem? Was it just the transition from one system of local authority funding to another? Interestingly enough, the difficulty with A-levels was a transition problem. Was it just transition or did your officials get the figures wrong?

**Mr Clarke:** It was not either. It certainly was not just transition, nor was it my officials getting the figures wrong. Firstly, as head of PR, I wish as head of PR I could be as successful as to ensure that every story in every news medium is entirely positive to British education. That is certainly my ambition, but I do not think that will be achieved, there will be people who will make their points. The causes of what happened this year are very clear and are very well set out. There were two decisions by Central Government which had a major impact. Decision one was the decision on the overall revenue support grant weightings for different parts of the country which had more negative effects for some parts of the country than others. That was there and it was a significant factor in the whole thing. That was not simply a transitional question, although there were some transitional aspects, there were serious actual resource implications which was not about transition, it was about the new state of affairs. The second was the decision to move part of the Standards Fund into the overall Government settlement. That too was not a transitional aspect, although there were transitional aspects to it, it was a decision of substance, a change in what happened. It led to a situation where many schools lost Standards Fund and that money was not replaced by

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an increase in grant from the local education authority and they felt that very acutely. Neither of those were transitional questions, they were actual decisions of a change in the regime and, as has been widely discussed, although there was a surplus of about £250 million across the country as a whole, the difference between a £2.7 billion increase in money and about a £2.45 billion increase in costs, that £250 million was not a sliver that was spread relatively equally across schools in the country, it was spread in a diverse way according to the mutual interchange of those two things. The third, not a national decision, was the local decision as to how it was going to allocate the money at its disposal: one, how much it was going to spend on individual schools compared to the central schools budget; two, how much it was going to spend on capital, how much revenue it was going to divert to capital; three, what the relationship was between the overall spending of the authority and on things like special educational needs, pupil referral units and individual schools; and, four, the local funding formula they applied, different for each authority each having different implications. So you had quite wide variations in some authorities as between the per pupil increase for different schools. The effect of these three things that took place, two of them national and one of them local, was very variable across schools and it was a combination of those three things that led to a particular change in a particular school. Was any of that transitional? I do not think it was transitional, they were changes which took place. As far as my officials are concerned, the question you ask as to what extent this could have been modelled more greatly than it was, I think that is a very difficult question because a significant number of the decisions, for example the level of council tax increase by a particular LEA, the amount of passporting, the allocation to particular schools, the allocation as between secondary and primary schools, the question of how much went to special educational needs and so on, were all decisions of individual LEAs which by definition you could not model. You could have various hypotheses but you could not model what a particular LEA would do in those circumstances. I do not think it is true to say that my officials did not model the situation correctly. It is true that they did not produce 200 different computer printouts according to different criteria of what LEAs could or could not do. The one area of criticism which I think is warranted is not those that are generally made, but the fact that the whole thing came in too quickly at the end, so that schools felt they got their budgets without knowing what the situation was going to be quickly enough to deal with it, and they had a presumption, for rhetorical or other reasons that had gone on earlier, that the situation was going to be better than they expected and that speed of events led to some of the situations being as acute as they were. That is one of the reasons why I have given a great priority next year to getting the earliest possible announcement of what schools budgets will be.

**Q138 Chairman:** We want to come to the next year in a moment, Secretary of State, but in terms of the present year, what is your view on those schools that

really are severely out of cash now? As you know, there was a major story by Richard Garner of *The Independent* yesterday on parents being forced to bail out schools as the cash crisis deepens. That is an immediate crisis, is it not, not something that is going to be resolved next year?

**Mr Clarke:** I have got two or three things to say about that. The first thing is that I have been a sceptic all through—maybe I should not be—of the wide variety of surveys which have gone on about school funding from a wide variety of different media outlets in association, in some cases, with relevant trades unions and so on. The answer very much depends on the question that is asked in any given situation and the way that people feel. The fact that parents contribute money to help their schools operate in a variety of different ways has been widespread for a long period of time in different respects but that operates now—whether that is a good or a bad thing one can have a discussion about—and it does happen, ranging from the school fete, which is obviously entirely voluntary, to parents being asked to contribute to school trips, to a range of other different activities that come along. I read *The Independent* piece today and I cast no particular doubt on *The Independent* survey, but I do say generally that I do not think surveys of this type necessarily give a balanced view right across the whole range. Secondly, I think one of the things which struck me from *The Independent* survey as well is that there are a number of schools in the country which are spending a very, very high proportion of their income on salaries. One of the schools in *The Independent* survey today was reported—I do not know if it is true—to be spending 96% of their expenditure on salaries. That is a very, very, very high proportion by any standards whatsoever. It was also argued that there was a 20% increase in salary costs for that particular school. That also seems to me a very high figure by comparison with most schools in the country. I have not checked out the figures for that particular school, I just read *The Independent* piece, but it raises a question for me about the way in which we manage our school budgets and it seems to me that is quite an important aspect to address. Some of the areas where some of the amounts of money were greatest in the much publicised stories over the summer—I am not now referring to *The Independent* piece but in general—raised quite significant questions about how well school budgets are managed in certain circumstances. That was a problem for me throughout the whole of this.

**Q139 Chairman:** Could some schools not feel aggrieved about that view in the sense that I have got a BBC news press release here which says “Clarke calls for curb on teachers’ pay”, and the substance seems to me you are very worried about the increase of teachers’ pay but most of the increase in teachers’ pay comes from government policies. I am not saying while you have been Secretary of State, but policies that were introduced by your predecessors to pull more people into teaching and to stay in teaching and to encourage people to ascend the

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ladder of the teaching profession and, in a sense, many people in schools may feel that the increase in their budgetary demand is directly in response to your demand.

**Mr Clarke:** Indeed. I think what my Department has done in the past is entirely correct. What that BBC news cutting derives from is the evidence that we submitted to the School Teachers' Review Body, which we submitted last Friday, and what that evidence points out is that there has been a very significant increase in real terms in pay for teachers over this last period, and that is something Government was positively seeking to achieve, and it has had the effect, as the evidence indicates, of increasing recruitment and retention in all the main teaching areas in what I think is a very significant way. The question that arises is that ambition of Government having been made progress on, albeit with knock-on costs to schools we have seen this year, is it not now the time to raise the question that we have got this moving and should we not be looking directly at a way of making sure the school funding increases go into the resources in the schools and not simply into teachers' pay. That was the essence of my point.

**Chairman:** It is a good juncture to break for 10 minutes and Jeff will be questioning when we return.

*The Committee suspended from 4.33pm to 4.45 pm  
for a division in the House.*

**Q140 Chairman:** Just before we move to Jeff Ennis' question, I would not say the bell saved you at all but the bell interrupted you.

**Mr Clarke:** I am very grateful.

**Q141 Chairman:** As I understand, listening to you as the Division Bell was ringing, you did not actually answer my question that if there are schools still in trouble this year, is there any lifeline that you intend throwing to them in order to help them with the problems of now rather than the problems of the future?

**Mr Clarke:** Not in terms of financial allocations in this current year, no. The major step we took in that area, as you know, was to allow schools to spend devolved capital, which in itself was a controversial question, and to ask LEAs to work more closely with schools, but we do not anticipate making more resource available this year to deal with the situation. The general view that I have had from many, many schools, I have to say, is that the greatest thing that we could do to restore confidence for the current year is to ensure that schools feel that the resources for future years are secure and will enable them to develop in the way that they would do. That is what I have been focusing upon. At various points in the year before the devolved capital announcement we did put various other bits of funding into place, for example for London, following the teachers' pay announcement last January and for raising the floor to take account of Standards Fund for a number of authorities as well. There were various steps that we did take but I do not anticipate further steps of this kind for the

2003–04 year. Finishing the answer that I was giving previously, the quote that you gave was a quote on our evidence to the STRB this year, it was not, nor was it intended to be by me, a comment on there having been too much pay in past years or anything of that kind. It was a comment on saying that many of the strategic goals that we set have, in fact, in general been achieved and now is the time to look to how we can move in the way that we are suggesting in the evidence to the STRB. I do think that there is an issue about management which is important, which is not about individual teacher's pay but about how HR budgets are managed in schools, which we need to get a hold on.

**Q142 Chairman:** Comments like the one I quoted that came from the Department's press release are worrying in one sense, are they not? Recently we had the teaching unions in front of the Committee and although there was deep disagreement on some issues, particularly how many new teachers had come on stream, and Mr McAvoy disagreed with the rest of his colleagues on that, on one thing—

**Mr Clarke:** He disagreed with historical accuracy as well, I think.

**Q143 Chairman:** What they did agree on was how upset they were in terms of the notion that their pensions would be affected and their right to retire at 60. It seems to me that running on from the Spending Review you and others seem to be building up expectations in schools, 11% was often mentioned as an increase for schools, and a lot of people who anticipated 11% did not get anything near that, so their expectations were lifted up and when it came to the reality the average figure was nowhere near 11%. Here you are, as Secretary of State, potentially delivering pretty much good resources to schools but at the same time being able to demoralise them.

**Mr Clarke:** Maybe I am making a mistake, Chairman, but I am bending over backwards not to build expectations in any area because a point that has been made to me very forcefully is that at the beginning of this financial year expectations were built up leading to the issues that you have described, so I am working very hard to depress expectations rather than do anything else. You may say that is a foolish approach but I would say the risks of over-hyping expectations for 2004–05 are greater than the risks of under-hyping expectations for 2004–05, if that word properly exists.

**Q144 Chairman:** Is it the Chancellor's fault for raising expectations rather than yours?

**Mr Clarke:** No, it is not anybody's fault in particular but the fact is expectations were raised beyond what they should have been and I criticise nobody for that in any way whatsoever. Simply, as you say, because of the costs involved, in particular the teachers' pensions element, which was far and away the most significant, if you look at the cost increases that went in, teachers' pensions was very significant, teachers' pay was very significant, even more significant than teachers' pensions, and NI was relatively insignificant compared to the others. Teachers' pay



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and teachers' pensions were the greatest and that is one of the reasons why I say we have got to deal with the teachers' pay situation in an effective way now. We have had a very significant increase in the number of teachers, a very significant increase in teachers' pay, a very significant increase in the number of classroom assistants taking burdens off teachers, these are big things that have happened over the last few years which have helped teachers and I think we should acknowledge that has happened, albeit there have been difficulties in this current year which has slowed that process of increase that has taken place, at least in some schools. We should celebrate what has been achieved but if anybody believes that we can go down the path of continuing a process of teachers' pay going up at the kind of level it has been, and at the same time continuing the process of increasing the number of teachers and teaching assistants at the same kind of level but not have school funding issues of the type we have seen this year, that is a mistaken view. I could wish I could deal in the politics of educational utopia but I choose not to. I think it is the job of the Secretary of State to try and deal with the politics of the educational real world and that can be problematic, but I see that as my leadership role at this time.

**Chairman:** Thank you. Jeff Ennis comes from near utopia, a place called Yorkshire, and he has also been a teacher.

**Jeff Ennis:** Thank you, Chairman. Secretary of State, I have in front of me a resolution that I, along with my two Barnsley colleagues, was recently sent by the Labour group on Barnsley Council. I would like to preface my remarks about—

**Chairman:** That is the majority group.

**Q145 Jeff Ennis:** That is the majority group, yes. I am sure you will agree with me, Secretary of State, that Barnsley Council is a well run authority and it does respond very positively to many, if not all, Government initiatives, but I would say that, would I not, being ex-leader of Barnsley Council. That is the case and I know you have been up to Barnsley and I am sure you will agree with me, and yet they have had to pass the following resolution, which has got five main points. I would just like to run them past you first of all. Firstly, "the group welcomes the increased Government investment in education since 1997", secondly, "notes that local councils have exceeded government spending estimates on education by £4.3 billion in the last 10 years and by £180 million this year at the expense of council tax increases and/or other services", thirdly, "rejects attempts to blame councils for their current difficulties in school budgets", fourthly, "endorses joint working between Government and the Local Government Association to examine the problem and quantify fully the cost pressures on school and council education budgets", and, lastly, "calls for greater flexibility for councils to direct resources to schools which need them most and opposes any suggestion of establishing a national funding mechanism as impractical, destructive of local accountability and damaging to relations between

central and local government". Are there any parts of that five-pronged resolution that you would dispute or disagree with, Secretary of State?

**Mr Clarke:** Can I comment on each of them, would that be possible? Firstly, I welcome further investment. Secondly, in fact, our figure is not £180 million. I know the LGA figure was £180 million extra that was put in by schools on education and spending, we think it is rather lower than that, but that is a minor quibble and it does not deal with the substance of the point. The truth is what Barnsley Council's Labour group figures indicate is going down from £4.3 billion as the total over 10 years to £180 million on their figures for the last year indicates what a declining additional amount has actually been going from the council tax payer into schools over that period and it has declined significantly over that period. Even if it were £180 million, you have to put that into context against the £2.7 billion which Government put in even as an excess that came through in this period. Although the £180 million is important and real, and I know that in particular authorities, and Barnsley is an excellent example, that extra money made a significant difference, in the overall amount that is going into schools as a whole the extent to which local education authorities, through council tax, are putting in increases is not fantastically large in the overall round if you look at the comparisons that you are talking about. In terms of rejecting attempts to blame the councils, I too reject attempts to blame the councils. I know I am widely thought to have blamed the councils and therefore this may seem either dishonest or disingenuous. What I said from the time this was first put to me by my local paper to what I have said at all times is that the funding of schools is a shared responsibility between national government and local government. What I then went on to say in the detailed information that we put out on 2 May was to indicate what each local education authority was doing in terms of the money that it sent out, based entirely on the return from each local authority, not manufactured by my officials. Some local education authorities—I do not include Barnsley in this—complained at this. They thought it was wrong that their own section 52 statement should be given any publicity, let alone be looked at comparatively with other areas. I do not accept that view. I think if national government is accountable for the decisions it takes it is reasonable for local government to be accountable for the decisions it takes on the basis of information given by the local education authority which is why I dealt with it. I made no attempt to blame councils. What I did say, which is the case, is that there was a significant amount of money—the original figure we cited was £533 million—which was allocated to local education authorities for passing on to schools. At that point, it had not been passed on to schools. Most of that has now been passed on to schools, I am glad to say. That is a very good thing, but at the time when I made that statement that was not the case. Many schools did not know how much money they were going to get from their local education authority and were making their comments on

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perceptions about the upcoming year's budgets without knowing how much they were going to get. Some of that, I would acknowledge, is down to the time factor that I mentioned to Mr Sheerman in terms of the relative lateness of information that was coming out and that was in some cases our fault as well as the local education authorities' fault. That is what I was seeking to do. I was not seeking to blame local councils. I do not blame local councils. What I do think is that we have to work together to try to resolve it. On the fourth point, joint working between the Government and the LGA, I agree. I have had a significant number of meetings with the LGA leadership. My officials have met LGA officials to try to get to a situation so that we can work forward in the future and that, in my opinion, is the right way to go. On a national funding mechanism, we do not have any proposals for a national funding mechanism. I think there is a case for it, actually. The two basic options we have been looking at for the future are either putting a tighter regime into the amounts of money which are now given to local education authorities—ie, a tighter regime on passporting and things like that—a minimum level of per pupil funding for every school, so that every school goes up at least by the average level of per pupil inflation; or looking at some kind of national fund whereby that could be passed through in that way. We have been discussing those issues as I think it is perfectly reasonable for us to do. Neither of those proposals is a national funding formula or a recreation of the Funding Agency for Schools or any device of that kind. I will take the opportunity today to say that it seems to me critically important that local government and national government do work together in these arrangements to ensure that every school gets a reasonable funding settlement next year and the year after. If we fail to achieve that, for whatever reason, I think that will be bad news for education and bad news all round. Whatever solution we come to—I am hoping to make a statement on that to the House later this week—we can get a situation where schools are guaranteed a real per pupil increase in their funding because I think that is what they need.

**Q146 Jeff Ennis:** Do you not feel personally disappointed that loyal Labour groups, such as the ones we have in Barnsley, have had to pass a resolution like this? Does that not reflect badly on the Department?

**Mr Clarke:** I do feel that but I also feel that there were elements in local government—again, I am not making a point about Barnsley, because I know your colleagues in Barnsley and I respect them very much indeed—which were implying that there was not really a problem this time around. I have even heard it argued recently that there was not a school funding issue. That is not how it seemed to me. It seemed to me there were real issues about school funding which needed to be addressed.

**Q147 Jeff Ennis:** Do you think the situation that we face this year has damaged the reputation of the Department with any of the stakeholders involved with schools, like the LEAs or the parents of children or the individual schools, for example?

**Mr Clarke:** I am sure it has. I have no doubt about that whatsoever. If you look at opinion polling and so on, I am sure that is the case. I regret that, as I said right at the very beginning in my statement to Mr Sheerman. It is extremely unfortunate, to put it mildly, that this set of events has happened, precisely because it has caused demoralisation, where it would have been far better if there was not any, and it has damaged the reputation of myself and my Department which I very much wish obviously had not been the case. Of course I ask myself, as this Committee does, whether we could have behaved differently to try and get to a better state of affairs. I think it is an important debate to have. Yes, I do regret if Barnsley Labour Group or anybody else passes a resolution of that type but I also think, to be quite blunt, that not only must I ask myself the questions which I am asking myself but the other joint funders—in this case, local government—need to ask themselves those same questions in the way that they have operated. From the conversations I have had with local government, very many in local government have asked themselves those questions and though there have been serious negatives out of what has happened many people have told me, including senior local government representatives, that one of the positive things that has happened out of this year is a much closer relationship between local education authorities and the schools that they fund in terms of understanding what is going on, knowing how to intervene and to do better. Obviously, I would have very much desired that that had not happened via this route, but that nevertheless is an element of silver lining to this particular grey cloud.

**Q148 Jonathan Shaw:** We are seeing a consensual Secretary of State now, are we not, in terms of local authorities, because as the teacher might ask two scrapping children: who started it? You started it, did you not?

**Mr Clarke:** I do not think it is quite as you describe. I started it in the sense that any financial allocation at any time to any part of government in Britain ultimately comes from the decision of the Government about the tax spending division it makes and how it allocates the money. Equally, the decisions of local education authorities about how much council tax to levy, how to distribute their money and so on are another factor. I simply put these two side by side.

**Q149 Jonathan Shaw:** You got tough with the local education authorities and it is quite clear that the money being passported in, the vast majority, if it had not been, was going to be. The money is not passported all at one point in the financial year. It is passported at different times in the year. You either knew that or you did not.

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**Mr Clarke:** With regard to passporting into education as a whole, at the end of the year I think we are in a position where about 11 LEAs out of the 150 or so are still not passporting 100% of their expenditure. Earlier in the year in May, we were talking about 19 or 20 that had not passported. Some decided that they would and that is fine. It is a fact that some of those which have not passported were amongst those which were most concerned about the state of affairs. I take it amiss, for example, when an authority like Westminster which passported a very small proportion of the money it should have spent, when schools in that borough are all blaming central government for the lack of funding for those schools at a time, when that particular local education authority had decided not to passport and not to give money to its schools in the way that it should because it did not passport. I think the question of passporting is a legitimate question for me to raise. You then have the question of did schools know they were going to get money that was in the local education authority budget and was en route to them at some point in the year. I can tell you for a fact that there were a number of schools that had no idea either how much money, if any, they were going to get from the beginning of the year when they saw the figures at that point. There were some LEAs who were telling their schools that there would not be any more money and it was all down to the Government and all the rest of it. In those circumstances, I thought it was perfectly reasonable to say the LEAs should make clear to schools in their LEA how much money was going to come to that school in the course of the year as soon as possible so that they had a proper basis upon which to budget.

**Q150 Jonathan Shaw:** You say that funding is a responsibility for local and central government and you have quoted Westminster saying that they have not passported all their money to the schools, but we know that many local education authorities passport far more than the Government give schools. What is the case for central funding?

**Mr Clarke:** You are right. A significant number of authorities, of all political colours by the way, have passported more than 100% to schools in their area. I welcome that. I think it was a good thing. The case for central funding, if there were one, would be that you had some consistency across the country. For what it is worth, I think a national funding formula, if we were to go down that route, would have a significant number of negatives to set against that. In particular, the negative that any degree of local discretion to deal with particular problems in different schools, would not exist. The question I have to ask myself is if local government describes itself as only a transmission belt to schools of what the national government sends—and that was the rhetoric of much of local government during the course of this; “Nothing to do with us, guv, it was all the money we were given by the DfES”—they undermine their own argument to be an effective, accountable and democratic body in their locality to deal with what they have to do. My argument is to say stand up and take responsibility for what you do.

**Q151 Jonathan Shaw:** It is a bit disingenuous really, is it not? One minute you are being very consensual to local authorities; the next minute you are saying they are just saying that they are a passporting authority. In terms of the overall budget though, the overall amount of money that goes from central government to schools compared to that which local authorities raise themselves is pretty titchy, is it not?

**Mr Clarke:** Yes, it is. That is the point I was making earlier on the figures that were given in the Barnsley Council resolution. I do not think I am being disingenuous in the slightest. I think there is a real choice for local government, whether it seeks to share responsibility for funding schools or not. If it does seek to share responsibility for funding schools, I think it has to stand up and defend what it does and explain the decisions it has taken in whatever way. If, on the other hand, it simply purports to be only a passporting body saying, “Nothing to do with us really; it is a matter for whatever central government wants and for us just to pass it on in some way”, it is reasonable for me to say that.

**Q152 Jonathan Shaw:** In answer to the Chairman, you said earlier on that there were not going to be any more resources for schools this year. What about the resources that you have already allocated? How much have you underspent this year?

**Mr Clarke:** The figures will finally be announced by the Treasury for our Department and for other departments later this week in the House, as I understand it. We have already indicated in our departmental annual report which was published in May that, in terms of dealing with a significant part of it, we committed an extra £450 million for education and skills and an extra £436 for Sure Start activity. That which was announced in the departmental report dealt with £886 million of the underspend which was the case at that time. We also manage our budgets on a multi-year basis and the resource is committed. For example, the Learning and Skills Council is carrying forward £100 million end of year funding into 2003–04 to cover previous commitments given to the employer training pilots. That takes us up towards £1 billion altogether. There are other areas where slippage has been experienced in the past and I have agreed for resource to be carried forward, such as the University for Industry, the Connexions Service, the Teacher Training Agency and so on. We have also deployed extra resource, for example, on the London Challenge and on teachers’ pay in London and support for schools. London Challenge, £25 million and teachers’ pay in London, £40 million; the Union Learning Fund, an extra £6 million. I have indicated decisions we have already taken to deal with about £1.1 billion of what was underspend. The total figure will be announced later this year. Obviously, we strive all the time to avoid underspend and we are going into end of year flexibility for the reasons I have given, but we have been monitoring it very closely and taking decisions to deal with it as best we can.

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**Q153 Jonathan Shaw:** £1 billion? That is very worrying, is it not, when you look at the picture overall? You are telling us on the one hand that, yes, you acknowledge the crisis in schools' funding and, on the other hand, you have underspent a billion so you have had to scabble round trying to find areas to spend the money. Are you in control?

**Mr Clarke:** We are in control and it is precisely because we are controlling the money that I was able to make the decisions which I announced earlier, which were made much earlier when we appreciated what the situation was. I think the whole question of the way public spending is managed in these areas, including by my Department, needs substantial reform because unfortunately what I have just described is not limited only to my Department. It also extends to other departments. You will know that underspend in previous years has been very substantial as well. I think we have identified it early and taken decisions already to indicate how we can deal with some of these factors. I believe that by setting it out and taking decisions as early as we have we are minimising the negative impacts of the underspend that there has been.

**Q154 Jonathan Shaw:** What would you give yourself for this year's report, as a grading? C—?

**Mr Clarke:** The whole principle of the assessment system which my Department runs is not based entirely on self-assessment for the reason that we do not want to place people in the dilemma that you have just mentioned.

**Q155 Jonathan Shaw:** Where would you put yourself? Certainly could do better?

**Mr Clarke:** I would give myself, over these nine months, a B.

**Q156 Jonathan Shaw:** A B— or just a straight B?

**Mr Clarke:** A straight B.

**Q157 Mr Chaytor:** On the question of passporting, is it not the case that for some authorities, had they passported 100% of their FSS, the crisis would have simply shifted from education to social services because the passported amount was greater than the total increase in grant for all those services?

**Mr Clarke:** There are a couple of authorities in the country where the relationship between the education amount that was allocated and the RSG amount generally could give rise to that kind of concern. That was not a general situation but there was a very small number of authorities where there were genuine dilemmas of that type, these always are able to be resolved by council tax where they arise.

**Q158 Mr Chaytor:** It would apply to other authorities, would it not, even though there may be a smaller number where 100% passporting would have caused difficulties elsewhere? The same principle applies to a much greater group.

**Mr Clarke:** It does. In each case, it is a question of scale but I agree with you. It is the relationship between those things. One of the attractions for some kind of national educational schools fund

where the money went to LEAs to be passed on, is that it would create a greater insulation between the amount of money that is allocated to schools and the amount of money allocated for other services, which I as Education Secretary would welcome.

**Q159 Mr Chaytor:** If we look at the memorandum that the Department submitted on this funding question for the session today, there is a section headed "Reasons for problems in 2003–04".<sup>1</sup> There seem to be eight reasons identified, two of which are national, four of which are local and two of which are at the school level. In none of those reasons is any criticism made of the Department's processes itself. In the final section, with reference to schools, it says, "Financial management in some schools needs to be strengthened with less willingness to take an incremental approach to school budget setting." Is that not exactly the criticism that most people looking at this affair this year would make of the Department's own processes?

**Mr Clarke:** I do not think most people would make that criticism. I did not use this bit of evidence in answering Mr Sheerman's question earlier but my response reflected what is said here in terms of the two national reasons, a number of local reasons and some references to schools.

**Q160 Mr Chaytor:** Are you saying there is nothing wrong with the financial planning of the Department?

**Mr Clarke:** On the contrary. I think there is a great deal wrong with the system. The problem with the system is because we are so tied up with the local government finance system as a whole, with its very late settlement of amounts of resource. Firstly, we have a system which has very late settlement of amount of resource with very late set council tax and therefore, by definition, a very late position of budget for any school in our current regime. If council tax is set in April and the school budget starts at the same time—and the two are related, obviously—that means things come through very late indeed. Secondly, you have a problem where it is very obscure to the average governing body of a school or head teacher of a school where the money is coming from or how it is coming. The linkage between the amount of council tax that is levied and the amount that comes into the school is so obscure in the local government finance system that people cannot see a relationship. Thirdly, we had a situation where school teachers' pay was set on a year by year basis. My Department submitted evidence last year to the STRB that we should go for a three year settlement but the review body did not agree with that and there was evidence from many others against our position. The fact that pay was only set by the STRB publishing its report in January and my accepting the STRB recommendations also in January meant that it was very late. The consequence of all of those is, in my opinion, a thoroughly unsatisfactory state of affairs. It is precisely that which we have to try and change.

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Within all of that, how does the DfES stack up? That is part of your question. My answer would be I think the DfES does reasonably well within a very complicated and difficult process of decisions being taken late. I would not accept that the DfES failed to model this in the way that has been described. Do I think the system as a whole stacks up well for schools? No, I do not. I think it needs significant reform.

**Q161 Mr Chaytor:** Can I draw a distinction between the system which has been there for a number of years, the short deadlines and the annual process of budget setting, and the processes within the Department because the system was nothing new. What was new was the change to the funding formula which had more variable outcomes in terms of winners and losers. This also had been anticipated in that from 1997 the Government had made it clear that it was going to conduct a review of the old SSA system. A mini review was conducted in the first Parliament. The major review was in this Parliament so it was not as if it was suddenly sprung upon the Department. My question is: are you satisfied that the Department's financial planning processes adequately took account of all the changes that were going to be made this year and what advance planning had been done to anticipate the bigger swings in winners and losers this year?

**Mr Clarke:** The short answer is I am satisfied, yes. I know it is not an answer you are wanting to hear from me but that is my answer. Let us take the two changes we have talked about, the change in the SSA system and the different weightings. Our Department had positions in the Government discussions on those things, some of which we were successful in winning arguments about, others not, as with other government departments. The final way in which the balances worked out and the way that they impacted on the education settlement as a whole was a matter where the figures only came through, as a result of the local government settlement and the new formula, very late indeed in mid-November. If you come to the standards fund, it is no secret to say that there are many of those in education who believe that stopping the ring fencing of the education standards fund was a mistake. I certainly think that the events of this year bear that out to some extent. Modelling how that would then operate was very difficult because it depended entirely on any individual LEA's decision about how it was then going to allocate the standards fund and then allocated it to schools. We could not lay down that if the standards fund had gone in these amounts to those schools, when the new standards fund allocation had come, it would do it in the same way. There was no means of modelling it because we could not say to Bury, for example, "How are you going to allocate your standards fund?" They would not have known. There was not a means of modelling it until we got to that state of affairs.

**Q162 Mr Chaytor:** As of November last year, the Department knew broadly the kind of increases that would be applied to different authorities. There was

a period, November to February, when at least the officials in the Department could have flagged up the scale of the problems that were about to occur. I think it seems to many people there was a long run in to this problem (a) from 1997 in terms of the general change to the formula and (b) from the announcement in November as to the exact nature of the changes to the percentage increases or decreases to individual authorities.

**Mr Clarke:** I understand the point that you are making and I think it is a fair point but, firstly, on the period 1997 to November 2002, I do not think it is at all clear that there was any degree of certainty up to November 2002 what the amounts of money would be. If you take the period November 2002 to February 2003, where I agree that we had a far clearer picture of the national government allocation of money than was the case in November 2002, what we did not know was how local authorities were going to respond to that allocation of money to them because local authorities too were dealing with a new regime and had to make their dispositions accordingly. There appears to be a view that says somehow my officials could have done a modelling of all of this which would somehow change the state of affairs in a way that would have made it work better. That is why I was rebutting Mr Sheerman's point earlier on that it was simply a question of transition. I do not think it was. Transition was a problem; timetabling was a problem, but there were real issues there too in terms of the allocations that were made. If you take Norfolk, Bury, Kent or whatever and say, "What are each of you going to do with this chunk of money you have now been allocated in mid-November for education between all your schools?" they would answer, "We do not know." We could not model that because we did not know either.

**Q163 Mr Chaytor:** They might have said, "Given the cost pressures on us this year and the integration of the standards fund and the contribution to teachers' pensions, the amount we are getting is not going to be enough because of the huge variation."

**Mr Clarke:** They might have said that but across the board the extra £250 million was enough. If they had said that at that point, the CSR having been set, the Chancellor having made his statement and his dispositions on the CSR, it would certainly not have been easy to have changed those dispositions. There are two questions: firstly, could we have changed the mid-November allocation for each LEA in, say, February. Retrospectively, I think that is doubtful. Secondly and more seriously, even if we could have increased particular allocations by X amount of money, could we have had any confidence that the money would have gone to schools where there were difficulties? I will give you an example. In the case of my own local education authority, Norfolk, there was an additional allocation. About 30 authorities got an allocation to get everybody to the floor position and Norfolk was allocated £1.6 million. The authority itself raised another £0.5 million, so a total of £2.1 million to help schools in Norfolk. They then took a policy decision not to give that money to

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the particular schools where there were difficulties but to distribute it equally according to their formula across all schools, a reasonable decision but one which meant that relatively small amounts of money went to LEA schools in those circumstances and they could have decided differently.

**Q164 Mr Chaytor:** In assessing what happened this year, do you have a figure for the total number of teachers made redundant?

**Mr Clarke:** No. We will not know the figure until 1 January when we get the returns on unemployment.

**Q165 Mr Chaytor:** Have you a best estimate to date?

**Mr Clarke:** No. We have gone round all the LEAs and asked for their assessment as we have been going through the process. As I have said in the House on a number of occasions, the overall level of redundancies is broadly comparable with previous years. The truth is that the number of compulsory redundancies is relatively low, but there is an issue about the number of teachers who have left employment but have not been made compulsorily redundant, whether through early retirement or natural wastage in some other form.

**Q166 Mr Chaytor:** Is it compulsory redundancies that are similar to previous years or is it the total number of teachers leaving that is similar?

**Mr Clarke:** I did not say that either. In the case of Norfolk which produced detailed figures on this, what is clear is the very large turnover every year. We will not know the overall picture until later. I wish we could give more information but what has happened in all of this is there has been a series of photographs that have been taken of a moving picture. Each photograph, in whatever survey it has been, has given a picture that is not accurate for what the final picture is going to be, as it could not be.

**Q167 Mr Chaytor:** In terms of the pattern of difficulties, do you detect any particular kinds of authorities or any particular regions in the country where the problems have been greater?

**Mr Clarke:** I do. I would identify first the authorities which did not passport 100%, for whatever reason. I would identify second some of the shire counties which broadly speaking were losers on the revenue funding formula. I would identify outer London boroughs rather than inner London as areas which did rather worse than other parts of the country.

**Q168 Mr Chaytor:** Which were also areas that did well under the previous situation.

**Mr Clarke:** Almost by definition.

**Q169 Mr Chaytor:** In terms of the statement you are going to make to the House later this week in establishing a basic per pupil increase for each school next year, what impact will that have on the phasing out of floors and ceilings to all authorities?

**Mr Clarke:** It will have some but not a great impact. I think a greater impact than that particular decision would be a decision to make sure that passporting

took place at 100%. That would have more of an impact on the floors and ceilings position than simply putting in a basic minimum position.

**Q170 Chairman:** When I asked my question originally about whether there were specific problems in terms of the transition, you said it was not a question of transition. There were specific things that went on. Perhaps I should have said was there a systemic failure. As we have listened to you answering my two colleagues, if you add up your replies to them, it does seem that there is a systemic failure here that is something to do with you but that leans more towards the Deputy Prime Minister and his Department. There does seem to be something that is very wrong at the heart of this whole allocation procedure because it gives no one any certainty of what the outcomes will be. We all know that if you are sitting in an aeroplane that will not take off or is circling London and you want to land the great thing about stress is that the pilot does not communicate with you what is going on. We have visited many schools in the past few weeks and it seems to me there is that feeling that you are sitting on the tarmac and the captain is not telling you what is going on. It is the randomness of outcomes that seems to be upsetting people out there. Is this not systemic? If it was a specific cause, you could very clearly say, "This is the problem. Steps one, two and three are happening. One, two and three will be sorted out next year and it will all be all right", but you are not saying that, are you?

**Mr Clarke:** I agree with you. I think it is a systemic failure. I do not share your analysis of the intergovernmental point that you made earlier but if you have an amount of money being allocated to local authorities, to schools, with different formulae at each stage from the Treasury to the ODPM to the DfES to local government on to schools, it becomes a very obscure process. What teachers and governing bodies feel is that they are the recipient of a residual amount which comes through of which it is very difficult for them to have any clear understanding, which does not give them any certainty for the future to plan in a proper way. I think that is a serious systemic problem in the system. It is a serious problem for schools in the system. It is very important to try and sort that out. I think what happened this year was that whole systemic problem coming to a crisis, pushed by the changes which we have been talking about as they move through. No doubt we bear as the DfES our responsibility for failing to push for change appropriately in that way, but that is a big issue. What I am about is trying to create some more certainty in the system so that people know where they stand and see how it operates. I do not need to tell you, Mr Sheerman—you are more experienced and a greater philosopher than I—that the issues here about the role of local government vis-à-vis the role of schools, the role of local government vis-à-vis the role of central government, the role of local taxation vis-à-vis the role of national taxation are big, big questions that operate in this way. I can tell you as Secretary of State for Education and Skills

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that my preference would be to achieve a system where schools know what their funding is going to be year on year, can predict it reasonably well and, to the best extent they can, can manage it reasonably well rather than simply being the recipients of an amount of money that comes out at the end.

**Q171 Chairman:** With respect, we are facing a situation where you cannot really firmly say to this Committee, and you have not so far, that there is going to be a firm delivery of an assured percentage of increase to schools this next year. Indeed, the figures we have seen suggested we had 6.3% average for schools this year and it will be down to 5.7% next year, so you will be in more difficulty, will you not?

**Mr Clarke:** I cannot comment on those particular figures but assuming they are right—I am speaking from memory now—we had about 3.0% of the cost pressures this year as the teacher pension element which will not arise at all next year. We also have the NI, at about 1%, which was in this year which will not arise next year. The cost pressure side of it should be of the order of, say, 4% less, just on those two criteria, compared with those income figures that you are talking about. Please do not hold me to the figures; I cannot give you a detailed figure. Though it is true that the income may be different in the way you describe, it is also true that the cost pressures will be different.

**Q172 Chairman:** When a Permanent Secretary perhaps or one of your senior officials put in front of you the example of what had happened in Essex and Barnet, what was your reaction?

**Mr Clarke:** I did not react particularly to those authorities because I do not think those particular authorities were in a dramatically different situation from other places. Essex was raised by the honourable Lord who is the leader of Essex Council in the other place, so there was substantial debate around the issue, if I may say so, from a very sharply political position. When I visited a number of schools in Essex to see what was going on, because by chance my railway line from Norwich to London every Monday travels through Essex, the situation was not quite as described in some of the debates that took place. Barnet was a different case. The LEA in Barnet got caught in precisely the way that Mr Chaytor described earlier on, as being one of those authorities that was caught between a poor revenue support grant settlement and a reasonably good education settlement. They were caught in a difficult situation and a number of schools made that point publicly very strongly. If you look at neighbouring boroughs to Barnet, it is also true that their overall financial position was not significantly different to that of Barnet but there was a lot less media flurry around them.

**Q173 Chairman:** There are some anomalies, are there not? The figures given to this Committee show that if you take three authorities, Somerset, Westminster and Norfolk, the percentage increase in SSAFSS for Somerset was 5.1%. It passported 100% and school spending rises by 5.1%. In Westminster,

that has been castigated by some, the increase in SSAFSS is 9.5%. They only passport 73.8% but the schools get a 6.5% rise in spending. In Norfolk, the increase in SSAFSS is 5.3%; they passport 103.1% and they get a school spending rise of 5.5%. The figures are quite bizarre if you take three authorities like that and indeed the one that has been castigated, Westminster, ends up with 6.5%, a higher percentage flowing to schools than the others.

**Mr Clarke:** I think you will find in Westminster there are also higher costs than either Norfolk or Somerset, but nevertheless I take your point. Let me be quite candid. I am not going to defend the current system of allocating money to schools. I think you are right. There are systemic weaknesses in it. That was the case when I came into this office; it is the case now. How do I interpret my role in those circumstances? I interpret my role as to try and create a system which is rational, which is transparent, and which does allow schools to know where they stand. The device that I have chosen to try and address this following what has happened this year is to set three ambitions for the next year. Ambition one, to get a real terms per pupil increase in funding for every school so there is at least a floor for schools which no school falls beneath. Ambition two, to get a two year settlement in all the various elements so schools can begin to plan their funding in a coherent way. Ambition three, to get an announcement for next year, 2004–05, at the earliest possible time so that schools can make their dispositions relatively early. If I could achieve even part of all those, that would be a significant step forward from where we are at the moment. Do I believe that even then we would have a system which did not suffer from the systemic failure you have described? No, I do not. I think we need a more rational system altogether but there are very serious political/philosophical questions which need to be resolved in this. Can I, as Secretary of State, permit a position where in theory a local education authority could decide to reduce the funding of a particular school per pupil by half compared to what it is now? That has been the situation thus far. I do not think I could or should tolerate that but some might see that as an over-centralising engagement against the rights of a local education authority. I know I am taking an extreme case but the reason I raise it is it is exactly these kinds of questions which cause very sharp debate.

**Q174 Paul Holmes:** I want to look at some of the implications for next year and the year after but can I go back to pick up on something David Chaytor said about the passporting issue? We were told when all this started to blow up earlier on this year that one of the big problems was the LEAs that had not passported all the money across. We had your Permanent Secretary and other members of your Department in front of us on 25 June. I asked David Normington how many LEAs had not passported their money across in full. He said it was just 11 out of 150 authorities. I then asked him was there a strong correlation between the 11 who had not passported the money and the areas who were

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having the most problems in issuing redundancy notices. He said, "I do not think it is a very strong correlation." That seems to contradict things that I have heard you and indeed the Prime Minister say.

**Mr Clarke:** I think our comments are entirely consistent. I do not have the text in front of me but I think I am right that he said it was not a very strong correlation. I did not say it was. What I did say was that it was a significant factor. Mr Chaytor asked me for a number of factors which I thought were there and I cited that as one. There were three or four factors which were there in putting people under pressure. I think Mr Normington was right in saying it is not a very strong correlation but I do think it is a factor. One thing I regret about the whole process is that the word "passporting" came to mean entirely how much money central government passed to the LEA and not how much money the LEA passed to individual schools, which is what I think is a more interesting use of the word "passporting" in this context.

**Q175 Paul Holmes:** Comparing this year's problems and looking ahead to next year and future years, in the 2002 spending review, it said that the increase in spending on LEA schools for the 2003–04 financial year would be 6.3%. Given that, we have had all these problems that have bubbled up about lack of money, redundancy and so forth. The 2002 spending review says that for the next financial year, 2004–05, the increase is going to be smaller at 5.7%. If, with a 6.3%, we have had lots of problems this year, does that mean that a smaller increase in the next financial year will mean there will be even more problems?

**Mr Clarke:** I do not think so. It depends on the cost answers and there are at least two significant cost factors in this year's expenditures which were a pressure for schools, one being the teachers' pension situation which was a one-off and the other being the NI increase which was also a one-off, as far as I know. The Chancellor has not revealed to me that there is another NI increase coming round the corner. The pressure situation is different for at least those reasons.

**Q176 Paul Holmes:** One of the imponderables still this year on how bad the problem is going to be, as certainly the head teachers for the secondary and junior school associations who were giving evidence to us on teacher recruitment and retention said, was that they are still not very clear themselves whether, come this September, they have the money in their budgets to deliver the workload agreement. The junior school heads in particular were saying they could see a situation arising this September where their teachers would say, "We have read the papers. There are 25 tasks we no longer have to carry out so what is going to happen?" The junior school heads would end up picking up all the slack themselves because they could not see the money being in the budget to pay for that.

**Mr Clarke:** I think the workforce agreement is a really positive step and it is supported by all the signatories to it, including ourselves. Secondly, if

you look at the years 2003–04, 2004–05 and 2005–06, according to all the assessments, the biggest financial cost of the workforce remodelling comes in the third of those three years. There is a financial implication for the second of those three years but nothing like as great as in the third year. The way I think it should be approached is by saying that we go down this path—there are some schools that are already well ahead—and move ahead as fast as we can to implement what has to happen. There is one state of mind point which I do not accept, which is important. I do not think, although we do intend to put more money into the process for workforce remodelling as there are costs involved, it is all about putting extra money in. Part of it is also about looking at the resources which are there now and seeing how best they are used to achieve the ambitions of the workforce agreement. If there is a particular school where they feel their financial situation is so tight that they cannot proceed on that scale, my answer is they would need to proceed somewhat slower than would otherwise be the case. I think that is a very small number of schools. The overwhelming majority of schools are proceeding and will proceed at a pace which was set out in the overall agreement and I think that is a good thing.

**Q177 Paul Holmes:** Looking ahead, the raising standards and tackling workload document said in January that there would be a £1.1 billion amount of financial headroom that could be used for implementing the workload agreement. Six months later it seems to be generally agreed that that amount has fallen to £250 million when all the upsets to do with pensions, national insurance and all the rest of it were taken into account. It has fallen by three-quarters, the amount for this current financial year. Are you revising the figures in the raising standards and tackling workload document for 2004–05, for 2005–06, or does your previous answer answer that one?

**Mr Clarke:** I think my previous answer does answer it with two important addenda. Important addendum one is that the workforce group which just passed its six monthly anniversary is discussing this in detail and both the teacher trade unions and the head teachers' organisations, the NHT and SHA, are perfectly reasonably pressing the point you are making to me. I am acknowledging to them and I acknowledge to you publicly that it is our obligation to find a solution to this problem in a way that makes it move forward. Addendum two is that, when we come to make a statement about the financial regime for next year and the year after, workforce remodelling is a major part of the way in which we intend to approach budgets. That will be reflected in the statements I make on that in due course.

**Q178 Paul Holmes:** I was pleased to hear you say that you would not defend the current system of allocating money and that you wanted to ensure that there was a real terms increase for everybody, that the figures would be produced earlier and that there would be more clarity in the system. What hope can



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you offer to an LEA like Derbyshire which I worked for for 20 odd years, where my constituency is and where my children are all at school at the moment? In government figures, they are boasting quite rightly in one sense that the average amount per secondary school pupil being spent across the country has gone up to £3,700; yet in Derbyshire in the last full financial year it was £2,800. That is a huge differential. Some of us were active in the f40 group campaigning for authorities like Derbyshire and yet there does not seem to have been that much of a difference this year.<sup>2</sup>

**Mr Clarke:** At the end of the day, there is a balance that Government has to make between the funding needs in particular areas for particular courses. I think we are all familiar with the argument that the funding for our particular type of authority, whatever it is, is not enough to deal with our particular needs, whatever they are. As a Member of Parliament for Norfolk, which is relatively low funded even compared to Derbyshire, this is an argument which will continue going. I defend the Government's overall changes because I think it is right to acknowledge there are higher costs involved with areas where there are higher needs, whether the higher needs are deriving from poverty or from larger numbers of people from minority ethnic communities or for whatever reason. I think it is reasonable that the funding regime reflects that. That would lead to an "inequity" because there will be some authorities which are getting more funding per head than others because their needs are greater. You will get others that get more funding per head because their costs are higher. For example, the salary costs in London and the south-east will be high. That will lead to different figures when you make the comparison you have just made, Mr Holmes, but I do not think the fact that they are different figures is necessarily unjust. I have not been to a public or even a private meeting in the last 10 years when people were not making exactly the point you have just made about the inadequate funding for where we are, but what is to be said for the change which the Government put into place this year, is that it is fairer and more equitable than what has gone on in the past.

**Q179 Paul Holmes:** I will pursue at another time and by other means the question of Derbyshire's funding in general. With schools in the budget last year, we had lots of emphasis on the fact that there was going to be a record amount of extra spending on secondary and junior schools, the biggest increase ever seen arguably, and yet six, seven or eight months later we have hit the problems that we have spent the last hour and a half discussing and it has started to unravel a little bit. Is there a danger that this is what is going to happen with FE colleges? We are being told now that for 2003–06 there is going to be a real terms increase of about 19% for FE colleges, about £1.2 billion. Analysis of the figures suggests that 11% of that 19% increase is going to be

related to standing still as the number of students grows. 3% of the increases will go in the knock-on effect from the national insurance increase, the pensions and the TPR. That will leave just a 5% real terms unit cost per student increase for colleges rather than the headline 19% figure.

**Mr Clarke:** Most parties within FE, both the colleges and the trade unions concerned, have said to me that they feel the settlement we made—I announced it last November at the Association of Colleges Conference—was a very positive announcement. You could also argue it was not positive enough in the sense that there will always be a case for more resources but compared with the previous years it was seen as a significant change. I believe that is what is happening, combined with the Success for All strategy, which is about focusing FE more sharply on producing more relevant and effective education. I think it will make a major difference. I would add one other point which is perhaps controversial. I am speaking from memory but I think I am right that something like 93% of FE spending comes from the state and about 7% of FE spending comes from employers. The 7% is significantly lower than happens in many other countries. I would argue that there is a good case for seeing whether FE colleges can produce courses which are more desired by local employers, both public and private sector employers, and therefore more desired by potential students and could therefore generate more income. FE has an option which schools do not have of trying to see what the possibilities are of generating resource from other areas. I think that is one of the potential benefits out of our Skills White Paper that we published last week which I hope and believe could make a difference to the overall financial buoyancy of further education generally.

**Q180 Paul Holmes:** Is there not a tension between the fact that FE colleges, in wanting to design courses and offer them to local businesses that you say they could use as a fund raiser, also have the problem that they have to tie into national qualifications, recognised nationally. I seem to recall a statement some time in the last few days where there was an emphasis that they would still have to tie into the national qualifications. They could not go off and do their own thing but local employers often, from what you have just said, do want them to do something that is suitable locally rather than putting a national straitjacket on them.

**Mr Clarke:** The national qualifications need to be dramatically simplified. We have a tremendous morass and web of qualifications, particularly in the 14–19 age range, which is very difficult. That is one of the purposes of the Secondary Schools Councils that we have described. Secondly, it is entirely possible for a college, if it wishes to, to provide education in partnership with particular employers for people in that locality and generate income from that source.

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<sup>2</sup> Fair Education Funding Forum (f40).

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**Q181 Valerie Davey:** One of the factors which will change over the next two or three years is the demographic change and we are anticipating, I understand, 50,000 fewer young people in our primary sector over the next few years. Has that been taken into account and in what way has it been taken into account in your funding formula?

**Mr Clarke:** There were 50,000 fewer this year and we anticipate again 50,000 fewer next year. Yes, it has been taken into account and that is why we use the phrase “per pupil” funding increase. One of the confusions over this summer has been, as the trade union surveys acknowledge, at least half of the teacher redundancies and so on that have arisen have arisen because of falling rolls in particular schools, most of the falling rolls being due to precisely what you have just described.

**Chairman:** It is 10,000 teachers fewer, is it not, over the three years? Over three years it is 65,000 pupils fewer and 10,000 teachers.

**Q182 Valerie Davey:** I was not aware that it was 50,000 this year but if it is that is a significant number and it is not spread evenly over the country. That is another differential factor and I am wondering if it was taken into account in that way.

**Mr Clarke:** Yes, it was. Perhaps to avoid any confusion the best thing would be if I wrote to you to set out the detailed figures on demographics.<sup>3</sup>

**Q183 Chairman:** A very well informed source has given me a piece of paper which says that there will be 65,000 fewer pupils in primary schools in each of the next three years and that is going to mean a loss of 3,000 teachers a year, 10,000 in total.

**Mr Clarke:** I hear what you say. What I think I need to do is to write to you.<sup>4</sup> I do not want to commit absolutely to the figures. Do those figures come from my Department?

**Q184 Chairman:** There is an enigmatic smile from our specialist adviser.

**Mr Clarke:** It is your job to ask the questions, Chairman, not mine. If I could avoid the enigmatic smile by saying perhaps it would be best if I wrote to the Committee with my assessment of the pupil numbers over the coming years.<sup>5</sup>

**Q185 Valerie Davey:** I appreciate that. My question is how will it be taken into account? I can remember too many years ago, unfortunately, as a councillor when this last appeared and we decided then as a county council that we would introduce four-year-olds into primary education, which was a brilliant way, we thought, of keeping employment high and of giving more advantages to children. It did not work out because we did not provide all the support staff we ought to have done. The Government has a choice, it is either going to cut the funding or it is going to say, “We will move the smaller class ratio

up through the primary sector,” which is clearly what parents would love to see. What is the policy on this particular issue?

**Mr Clarke:** We are currently preparing guidance on the particular point. Let me say two or three things. Firstly, we are considering at the moment what bid we make in the next Spending Review on how to deal with the situation you have just described, and it is one of the considerations we are taking into account in deciding what bid we put in. Secondly, we need a far more creative approach to particular facilities or particular schools by acknowledging that the decision on children’s social services allows us a real possibility by developing the extended school approach and getting proper pre-school provision to be able to bring different funding streams together to make sure, for example, in isolated rural areas that you have an educational resource that continues rather than not. At the end of the day the bottom line answer is the one, Ms Davey, that I think you implied in the question—that it is a matter for the local education authority to decide how it makes a disposition of its resources. We could go down a different line but we are not going down that line. They will decide how they make their dispositions in precisely the way you said Avon County Council did some years ago.

**Q186 Valerie Davey:** You cannot have it both ways, Secretary of State. Either you want national levels of funding which are irrespective of all the problems we have got with how much the transport costs are or the special needs costs and you want that local decision taking or you have to say those are the responsibilities of the LEA and they must be funded accordingly. You cannot have it both ways.

**Mr Clarke:** I am not trying to have it both ways, with respect, and if I appear to have been I apologise because I am not. The reason I said earlier that I did not think a national funding formula for schools would work—and I can see a stronger case for secondary than primary in any case—is that I believe local variations are so different, Norfolk is so different from Newham, if I can put it like that, that to try to have some national formula which allocates to every school in the country on some kind of equal basis, you could imagine an immensely long transition period but it is very difficult to see how it would actually operate. On the other hand, if you had a system in which you allocated money to LEAs directly rather than through rate support grants, I think it would be possible to imagine a system that worked better but would retain what you are describing as the local discretion to decide what is the best way to provide education in each particular locality.

**Q187 Valerie Davey:** Could I suggest you look at Northern Ireland because this Committee went to Northern Ireland and found to our surprise that there is no local rate for education. The local authorities do not raise money for education, all the money comes centrally from central government in London, and it left a complete disassociation from many councillors with this whole process and was an

<sup>3</sup> Ev 75

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

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ineffective way of sharing and discussing and changing the way in which education goes forward in Northern Ireland. I think colleagues will perhaps agree that that is an interesting parallel form of funding to look at if you are contemplating further change in this country. Do you know of that situation and have you any comment on it?

**Mr Clarke:** I certainly know of it. I have no particular comment on it but I will look at it in more detail. To be quite blunt, whichever course of action you go down, you are faced with very difficult choices about what to do. At the end of the day if you are deciding in a particular village what is the provision that is going to be made, that is not a decision that can sensibly taken from London. I was at a school in Norfolk the other day where there were 21 pupils from the 5–11 age range, which is the smallest primary school I have ever been in, and they had a partnership with another school six miles up the road which had 59 pupils, so there were 80 altogether in these two schools that worked together in a federal way. I cannot imagine a process where some official here in London would take a decision as to what was the right way to do it in that locality. I acknowledge the important local role but the question is how that local role is exercised and how it is formed and that was what I was trying to address in my answers to Mr Sheerman and others earlier.

**Q188 Valerie Davey:** Can I return to the initial situation we face of the demographic change. You are saying that the Government has not decided on a policy issue in answer to that situation at this point in time?

**Mr Clarke:** I am saying yes that is true, we have not decided. There are two vehicles by which we intend to take a decision. One is the submission we make to the Comprehensive Spending Review when it starts next year, and the second is the guidance we give in the current circumstances, which we are also discussing, which we think can be tackled more widely than simply via the question of school numbers.

**Q189 Valerie Davey:** I think that reflects part of what you were saying about the creativity of the new ministerial role in your Department for children and I recognise that entirely, but I hope you would recognise that leaves local authorities again and schools themselves with the element of uncertainty which the chair posed earlier?

**Mr Clarke:** Yes, that is true.

**Q190 Valerie Davey:** Just before we finish on this because we want to have a few minutes on PFIs, you referred to a real terms increase for everybody, inflation at least, 3% cash for 2004–05. Let us clear this up because this is what causes unhappiness out there. Are you really guaranteeing at least 3% extra money for every single school or is it per pupil because, as you know, if it is per pupil some schools with falling rolls will lose out.

**Mr Clarke:** I have not used a figure of 3% and I will not. I do not think we will come to a figure until much later this year when the teachers' pay situation

is resolved. It would be ridiculous to talk about a figure without knowing what the teachers' pay decision is going to be. I do not use the figure 3% and I do not think the figure of 3% should be used.

**Q191 Valerie Davey:** If you use a percentage is it per pupil or is it per school?

**Mr Clarke:** I was going to say whatever figure it finally is (and I did not want in any way to say I thought 3% was correct because I do not think that is a correct figure to use) we are talking about a figure per pupil and not a figure per school, which therefore means that the points Ms Davey raises about the implications of falling pupil numbers and how you organise schools locally are very real points. She is raising absolutely correct points in this. We are not saying that we are going to somehow pretend that pupil numbers are not an important aspect; they are an important aspect in the funding of schools and will remain so.

**Q192 Chairman:** Just a point of information. You asked me whether that figure of 65,000 pupils in primary and the knock-on redundancies came from the Department of Education. We think it did because it came from Mr Miliband.

**Mr Clarke:** As I have discovered in my brief tenure in this office, Mr Miliband is always right!

**Chairman:** We want to move on briefly to private finance initiatives and public-private partnerships. Jonathan?

**Q193 Jonathan Shaw:** We have seen the Audit Commission's report that told us that some of the first PFI projects have been disastrous and other later ones quite successful. There are complaints about procurement problems and indeed in your memorandum you say there are procurement problems arising from a lack of clarity about what is and what is not included in the contract.<sup>6</sup> That is one of the problems. Is not the definition of what is and what is not included in the contract the absolute first requirement of a PFI contract more so than in any other contract?

**Mr Clarke:** Absolutely, I agree yes to your question without any qualification, and I think the big difference between PFI and former general public sector procurement has been that in many other previous public sector procurements lots of issues arose during the process of the discussion, which then led to changes in the contract, which it was necessary to think through right at the beginning in the way that a PFI contract requires and has led to the problems as you describe. But in my opinion they are problems which would otherwise have taken place at some later point in the contract process.

**Q194 Chairman:** So how do we move from getting design to be educationally based rather than architecturally based?

**Mr Clarke:** I have been to a number of new schools. I went to one the other day as part of our Education of the Future approach where the design of the new

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<sup>6</sup> Ev 34

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school was entirely educationally based. It was also a very nice design but it was educationally based in the way that it operated, and I think that is happening. The short answer is we have to get better and better at specifying the contract beforehand. By “specifying” I mean specifying in terms of educational requirements rather than design requirements. I agree with the implication of your question completely. I would say that the way we are moving is right. The Audit Commission Report was on a series of projects in the early period, as you say, 1996–98, and since this Government was elected in 1997 we have tried very hard to get a better form of specification than existed in the past and I think in my Department we have definitely tried to do that from an educational point of view.

**Q195 Jonathan Shaw:** Is it not the case that this is the biggest building programme in decades for education so there are problems, are there not, with infrastructure, i.e. the expertise both in local education authorities, which act as the client, and also among headteachers, who are not architects and who are not financial accountants in terms of the level of detail that is required, and trying to move all of those people forward in order that successful projects are completed rather than the ones that we read about in the early part of PFI; what are you going to do about that?

**Mr Clarke:** I think your first weakness is the biggest weakness, which we have already taken steps to address, which is the weakness of people who really had expertise to manage a PFI contract. We have already done something about that by simply encouraging more people with the relevant expertise to come into the market place to offer their skills when it moves forward. On the second part, taking on board the skills of headteachers and governors and the local community and so on, I am struck when I go and visit new schools, which I do quite a lot, whoever I talk to—the headteachers, parents and governors, whoever—they talk very positively of the way in which they have been involved in the design of the school in a way they did not experience beforehand. I think the most important thing is to have a group of people who are involved in working out the PFI professionally and a key part of their professional practice has to be the full engagement and involvement of the local community and the teachers and so on. I think that is actually happening.

**Q196 Jonathan Shaw:** There are very few players now left who are completing PFI projects. There are only a couple, two or three.

**Mr Clarke:** I thought it was more than that but I am open to correction on that. Perhaps, Chairman, this is something I could write to the Committee on with our assessment of how many players there are in this particular field at the moment. We have sought to encourage more players to come in and one of the factors of delay was the fact that we have a relatively

small number of players, but we have begun to change that. What I will do, if I may, is to write to you on this particular point.<sup>7</sup>

**Q197 Jonathan Shaw:** Two final questions. Let me preface my remarks, we want schools to be all-encompassing and schools that are community schools where you have adult education and training alongside schools, but at the moment the PFI is not flexible enough to allow adult education to be run at the same time or to be part of that PFI credit.

**Mr Clarke:** I do not see why that need be the case.

**Q198 Jonathan Shaw:** That is the case, Secretary of State. I wonder if you could look at that.

**Mr Clarke:** I certainly will look at this.

**Q199 Jonathan Shaw:** This is a golden opportunity to look at these projects and that is certainly the case of a project that I know very, very well.

**Mr Clarke:** I accept that completely in terms of the one you know but I would say in terms of policy in the Department our ambition is to develop schools which are more and more community school, 24/7 schools, extended schools, educational resources for the whole of the community.

**Q200 Jonathan Shaw:** If PFI credits are not allowed to include adult education to run alongside that then your ambition, your vision will not be realised.

**Mr Clarke:** I will look into that point directly. I am glad you have raised it. I do not think there is any reason intrinsically why that cannot be the case. I accept that as pure schools PFI credit could not be used for what I have described entirely. I do not see any reason whatsoever why other credits cannot be brought together in that way, but I will look at the point you have made, Mr Shaw, and take it up very carefully.<sup>8</sup>

**Q201 Jonathan Shaw:** The final issue is value for money. The Audit Commission were critical of the public sector comparator. The NUT for example in its memorandum to us say that the Haringey PFI project was £12.9 million less than the anticipated PFI cost so the PSC was inflated in order to justify that the policy did provide value for money. What is your reply to those criticisms?

**Mr Clarke:** There were problems in the report of the Audit Commission about the public sector comparator. What we did was to review our processes in the way that I described earlier on after this Government was elected and I think the value for money criterion has to be at the centre of the whole proposition. What I believe is actually happening, for the reasons you said at the beginning of your first question, is that we are gradually (but only gradually) making progress towards a situation where all the specifications are set out right at the beginning of a particular contract in the way that is necessary, and so that is where the problems go wrong if that does not happen.

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<sup>7</sup> Ev 75

<sup>8</sup> Ev 75

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**Jonathan Shaw:** If I can do a Chaytor and say very finally—

**Chairman:** Unfair.

**Q202 Jonathan Shaw:** Completely fair.

**Mr Clarke:** I thought Mr Shaw was always fair, I thought that was what he did.

**Q203 Jonathan Shaw:** What is the Department doing to monitor different local education authority areas of PFI experience to ensure that the outcome of those experiences, for example where schools are churning around the countryside looking at best projects, are shared? For example, if you have got four schools that are all having a similar project where are the lessons learnt from one to the other?

**Mr Clarke:** Well, we have a very substantial monitoring process through our capital division which both assesses the way in which LEAs have been procuring PFIs and also analyses the problems that have occurred, whether at design or the kinds of things you have been mentioning across different levels of PFI, in general more widely across government.

**Q204 Jonathan Shaw:** Is that shared?

**Mr Clarke:** It is shared, yes, we make it a condition of support to LEAs, for example, that they are prepared to share non-confidential information with other LEAs in order to avoid reinventing the wheel. That is why we have issued extensive guidance, developed standard contracts and developed standard LEA schools agreements. We think that the standard contracts and agreements have resolved many of the difficulties encountered with early projects as well as leading to time and cost savings. We think that the asset management plans that we have introduced are now leading LEAs to analyse much better how they are deciding to use their assets and what to do. I do not claim it is absolutely excellent in every respect but I think we can put our hands up and say we are making progress in the kinds of analysis and understanding that you describe.

**Q205 Jonathan Shaw:** You agree that education has to be absolutely central to design?

**Mr Clarke:** Absolutely.

**Q206 Jonathan Shaw:** Rather than fancy staircases—

**Mr Clarke:** It is not a question of a building looking pretty; it is a question of the quality of the educational facility within it. I would say that people should come to the new school or college and feel this is a building to be proud of, it has been attractively done and it should be well designed and so on, but education has to be absolutely at the core.

**Chairman:** Those of us interested in design would agree with you, Secretary of State, that good design and good education go hand in hand. My own experience in Kirklees is we have got a lot of schools rebuilt and refurbished now rather than waiting many years to get them. There are some teething problems, the Kirklees initiative was an early PFI

and we have given it, like you gave yourself, a B at the moment, but it was an early one. I want to finish on targets and performance. We are particularly interested in this because we looked, as you know, at the specialist schools programme, and we put a question mark over whether that particular delivery of policy or that particular policy was evidence based but let David continue the exchange.

**Q207 Mr Chaytor:** Just a few weeks ago in your document on primary schools you make the statement that you would now like to devolve responsibility for target setting to primary schools. What kind of response has that had and what are you going to do about implementing that?

**Mr Clarke:** In general the response has been positive from primary schools. It does not surprise me because the reason we did it was in response to the comments of all headteachers at primary school conferences that we had. People see that as positive and as a better way of approaching a targeting regime. Although some people argue against it, most people acknowledge that we need a targeting regime but say if there is going to be a targeting regime it needs to be more securely founded.

**Q208 Mr Chaytor:** The second part of that question is how are we going to implement that? When does the new regime start?

**Mr Clarke:** On KS1 we are going in the next year to a very substantially enlarged pilot in a number of LEAs to see where we are going with that. We want to give teacher assessment a greater role. As far as KS2 is concerned, good question, I think we are talking about the targets for next year being set by schools I am slightly concerned I may be misleading you. We are certainly not talking about any delay; we are talking about doing it as soon as we can and I think the answer to “as soon as we can” is next year.<sup>9</sup>

**Q209 Mr Chaytor:** Given the positive response to that and the speed with which you are moving to implement it, does it follow that the same approach will be used in secondary and post-16?

**Mr Clarke:** We have had both exams and targeting in KS2 for a longer period than KS3 and I think it is important to give KS3 a bit more of a crack to see how it goes. We will analyse the KS3 results from this year as soon as we can and we will then come to a view about where we proceed. That is all I want to say on that. Let me put it like this: I acknowledge that intellectually and philosophically there can be a comparison between what we do at KS2 and KS3 but I think the history of KS2 targeting and testing has been much more profound over a longer period of time and so the data that we got from headteachers of primary schools about what they thought about it was based on substantially more experience than would be the case in KS3. I do not want to say we take what we do in KS2 and simply take it to KS3, because I think we need to be more

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<sup>9</sup> Ev 75

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strongly based in the experience of what the KS3 experience was like before coming to a view to change it.

**Q210 Mr Chaytor:** And in respect of the Department's whole range of targets, some of them are very, very precise, others are really quite vague and generalised. Is that deliberate or is it just—

**Mr Clarke:** Perhaps I can make an invitation to the Select Committee through you, Mr Chaytor. We are of the view that when we come to the next Spending Review we should have a very clear set of views in education about what are the appropriate targets for us to set and we shall be very clear about what we think we ought to do for discussion with the rest of government. We think in general there should be fewer targets than there are at the moment and they should be precise in the way that they are moved forward. We are considering—I say we are considering, that is slightly previous—we are about to consider in my Department how we should address this and if this is something the Select Committee wants to reflect on I would be very interested in the way in which you approached it. I believe targeting is important so do not misunderstand me, I am not coming at this from the point of view that says, as some political parties suggest, “bonfire the targets”, that is not my view, but we want to ensure that the targets that we set ourselves through the next CSR process are ones which are well understood in the educational world and can be achieved. If the Select Committee were to consider that, I would be very interested in seeing your findings.

**Q211 Mr Chaytor:** So we are likely to see fewer and more specific targets?

**Mr Clarke:** Yes.

**Q212 Mr Chaytor:** From that remark then do we conclude that in respect of the existing targets you do not think there has necessarily been an evidence base to justify them? It is more of a scatter gun approach to get things in place rather than that?

**Mr Clarke:** I do not think it is quite that. We came into office in 1997 feeling it was very important to try and make a difference in the delivery of our public services so we went through policy area, by policy area, by policy area, to try to establish what were the best targets to go for intellectually, and I will not retire from that policy at all. I think it was a perfectly intelligent way of going about things. I think the experience of recent years suggests that there is sometimes an over complexity of targets which do not necessarily work in the same direction and that therefore it might be better to have a smaller number of targets, and that is what we are reflecting on at the moment.

**Q213 Mr Chaytor:** Later this week we are going to see the report of the Public Administration Committee on target setting across government and the press leaks suggest that they will give a more relaxed view of the importance of absolutely hitting the target. Under your new regime of fewer and

more specific targets, do you believe it will be crucial for your success to be judged by hitting those targets exactly or simply to demonstrate that you are moving in the right direction?

**Mr Clarke:** I do not really think it is necessary to hit them exactly. I will tell you where I think we are in difficulty and it is quite direct. If we set an ambitious target and fail then we get criticised for failing to reach the target, so the natural response is to say, “Okay, let us set less ambitious targets that we are more likely to meet,” and I think that is a bad way of going about things. I think we should set ambitious targets, we should assess where we are going to on those targets, and if we do not quite meet them then we should hold up our hands and say, “We did not quite meet them”, but not regard that as a terminal disaster either politically or for the education system or whatever. I personally think it is right to set ambitious targets. Personally I am ready to say as Secretary of State I want to go for more ambitious targets. Do I then say my whole political future and everybody else's should depend on fulfilling a particular target? No, I think I should be judged—and maybe I can get better than a B next time—on a whole range of targets that we set. I think it would be a bad course if we ended up not setting ambitious targets. I think that ambitious targets are right. The danger of saying you have total accountability and you have to achieve 100% of every target is that you set undemanding targets, which I do not think is a good thing.

**Q214 Paul Holmes:** Just backtracking slightly to the PFI question, can you clarify for me what happens when you have got your brand new school built and the private company who built it are then getting their mortgage or HP payments effectively being paid to them, who pays for that? Does it come from the LEA budgets or does it come from the individual school budget?

**Mr Clarke:** It depends on the particular contract whether it is with the LEA or the individual school. The arrangement—and it is a very disciplined arrangement—is that a payment has to be made and it depends who has made the agreement. Whether it is a group of schools, the LEA, the individual school depends entirely on the particular contract. The tightness of it (which is a cause of concern) is that we are actually saying that that will continue to be paid. What has happened in the past is when an investment has been made, it has been quite possible for the public authority—it does not arise just in education but also in health and other areas—to say, “We will not pay this year, we will not do any maintenance this year, we will not keep up the building”, and that leads to a situation of steady decline in the stock which, as we look around, is what has happened in so many of our public sector buildings. One of the implications of the PFI, which is tighter and more difficult, is to say that maintenance will continue, the work will still be done, it will be kept up, it will move forward, but you have to pay for it. So the real costs are being met rather than a group of people one year saying, “Let's

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leave it this year and not do it.” As to whether it is the school or LEA that depends on the particular contract.

**Q215 Paul Holmes:** If it were a contract with a school and it was coming out of school budgets, what happens five years down the line if falling rolls from junior schools have come through to the secondary stage and a secondary school can no longer afford to meet those payments other than by sacking teachers or massively increasing class sizes?

**Mr Clarke:** That is why in most cases the agreements are with the LEA rather than the schools. If you take my county, we have got a major PFI project

involving about 60 schools and that is precisely in order to deal with those kinds of fluctuations and you have got an LEA contract rather than an individual school contract. In answer to your particular concern, to deal with that particular matter ought to be a matter for the initial project discussions and that is what should be part of the initial contract.

**Chairman:** Secretary of State, we have kept you here quite a considerable length of time. We have learned a great deal. I would remind you that your grading was self-inflicted and not from the Committee. We shall be considering our grading later. Thank you very much for your attendance.

### Supplementary memorandum submitted by the Secretary of State for Education and Skills

During my evidence on 14 July I promised to provide information on a number of issues.

#### Q181–184—*The anticipated number of pupils in nursery and primary schools*

The following table sets out the anticipated numbers of pupils in maintained nursery and primary schools between 2002 and 2005. The projections, for 2004 onwards, take account of the provisional results of the 2003 Schools Census. It can be seen that the projected decline is roundly 50,000 per year but not consistently so. The annual changes are estimates and prone to uncertainty.

PUPILS IN MAINTAINED NURSERY AND  
PRIMARY SCHOOLS IN ENGLAND  
(full-time equivalents, thousands)

<i>At January</i>	<i>2002 actual</i>	<i>2003 provisional</i>	<i>2004 projected</i>	<i>2005 projected</i>
Total	4,240	4,190	4,133	4,087
annual change		– 49	– 57	– 46

#### Q196—*Involvement in PFI contracts*

More than 40 contractors or consortia have bid for education PFI contracts, and more than 20 of these have signed contracts.

#### Q197–200—*PFI contracts for schools involving elements of adult education*

There is no reason why schools PFI projects should not incorporate elements of adult education. We are keen for PFI schools to benefit the wider community, which is partly why rooms in PFI schools are generally larger than in schools built through other funding routes. School buildings that have been built or refurbished using PFI credits can of course be used for adult education when they are not needed for school use. Local education authorities have a central role in planning adult education provision; they may choose to use some of their adult education budget towards funding their PFI projects.

#### Q207–208—*Local target setting in primary schools*

“The local target setting process will begin with schools setting their own targets for Level 4 and Level 5 in English and mathematics for 2005 by 31 December 2003. Guidance on the revised target setting arrangements was sent to local education authorities in July 2003.”

September 2003





# Written evidence

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## Taken before the Education and Skills Committee

### Memorandum submitted by The Royal National Institute of the Blind

#### 1. SUMMARY

1.1 RNIB and the Children's Response Group wish to draw the Committee's attention to major weaknesses in current funding and structural arrangements to support the inclusion of children with visual impairments and other reading disabilities in primary and secondary education.

1.2 Full and genuine inclusion in education for these children depends crucially on the timely availability of curriculum and support materials in formats accessible to the individual pupil. Yet only a tiny percentage of curriculum materials is produced in any alternative format. Teachers and support staff often have to resort to "do-it-yourself" solutions, but despite this it is common for pupils not to receive material at the right time, if they receive it at all.

1.3 Accessible curriculum material can be very expensive to produce, and may require skills that are in short supply. Historically the system has been heavily subsidised from charitable funds. However, adverse economic circumstances mean that voluntary agencies are no longer able to subsidise production from charitable funds. Nor do we have the capacity to meet all demands.

1.4 Meanwhile, the ability of schools and LEAs to deliver is sorely compromised by: the absence of central co-ordination and funding for the commissioning and production of accessible curriculum and support materials; the lack of any system for monitoring levels of expenditure and the effectiveness of spending on the production of accessible materials under the Schools Access Initiative; under-investment by Government and the delegation of too much funding to individual schools.

1.5 Without intervention now, children with sight problems and other reading disabilities will face every increasing levels of educational exclusion. We call on the Committee to make clear recommendations for change, most notably for strengthened national co-ordination, backed by Government funding, of the production of accessible versions of textbooks and support materials.

#### 2. INTRODUCTION

2.1 The Royal National Institute of the Blind (RNIB) is the leading organisation working on behalf of 2 million people with uncorrectable sight problems across the UK. RNIB wants children who have impaired vision to get the best education opportunities so that they can achieve their full potential at school, at home and in the wider community. We believe that people with a visual impairment should enjoy the same rights, freedoms, responsibilities and quality of life as those who are fully sighted. Our educational services for children, families and professionals support, enhance and complement the education services provided by the state and other agencies. They include a curriculum support service and four residential schools. RNIB is also one of the leading providers of library services to visually impaired children and adults.

2.2 There are estimated to be some 22,000 children with impaired vision in the UK at the moment. However, the Department for Education and Skills has no precise or detailed figures. The children have a range of abilities and a variety of reading needs—some will operate most effectively through braille, others need customised large print or audio. Some examples of the cost of specialist material are given in Appendix 2.<sup>1</sup>

2.3 This response is endorsed and supported by the Children's Response Group, a wider grouping of organisations concerned with curriculum access for visually impaired children and engaged in the production of accessible books. The Group includes the National Library for the Blind, the National Blind Children's Society, Calibre Cassette Library, Clearvision, RNIB and the Inside Out Trust. Our organisations meet regularly under these auspices to co-ordinate provision of accessible books and learning materials to ensure our minimal resources are deployed to maximum effect, share information and agree joint strategies for future change. The Children's Response Group has recently written to Baroness Ashton, Minister for Special Educational Needs, recommending the establishment of a national agency to fund and co-ordinate the production of accessible curriculum material.

2.4 Terms in this memorandum such as "accessible" or "alternative" formats refer to braille, large print, audio or specialised electronic formats which render written material accessible to those who cannot read "ordinary" print or screen displays. Reference to "support materials" are references to the wider range of reading materials, in addition to set texts, which visually impaired children need access to in order to have equal access to the curriculum.

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<sup>1</sup> Not printed.

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### 3. NEW STATUTORY OBLIGATIONS RELATING TO CURRICULUM ACCESS

3.1 The Special Educational Needs and Disability Act, 2001 (SENDA) places new obligations on schools and on local education authorities in England and Wales from September 2002. Education authorities have to produce accessibility strategies for maintained schools, while schools have to produce accessibility plans.

3.2 The first set of Strategies and Plans were to be completed by April 2003. Strategies and Plans must cover:

- increasing the extent to which disabled pupils can participate in the curriculum;
- improving the delivery to disabled pupils of information which is provided in writing for pupils who are not disabled, within a reasonable time, and in ways which are determined after taking account of their disabilities and any preferences expressed by them or their parents.

“Information which is provided in writing” includes handouts, timetables, information about school events and, most crucially, textbooks.

### 4. THE PROBLEM

4.1 Despite the obligations laid on schools and local education authorities by SENDA, we continue to be aware of numerous instances of blind or partially sighted children not receiving curriculum material in a form suited to their needs.

4.2 This had already been highlighted in our Campaign Report, *Shaping the Future* (2000), which found, *inter alia*:

- One in three blind and partially sighted pupils in mainstream secondary schools did not always get their school books, school test and exam papers in their preferred format.
- One in four secondary pupils in mainstream schools said they did not usually get handouts in a format they preferred.
- More than one in four secondary pupils at mainstream or resourced mainstream schools experienced difficulties in using the school library.

4.3 The new legislation has so far failed to make an impact, despite Government assertions of additional funding. In Appendix 1<sup>2</sup> we reproduce some of the responses from teachers to a recent request for information. Their comments paint a picture of frustration, of pupils either not getting usable material at all, getting it late, or getting it in an unsatisfactory form. Publishers appear to have a naïve faith in agencies such as RNIB having a bottomless pot of transcription resources. Teachers clearly feel isolated and the lack of co-ordination is evident.

### 5. SOLUTIONS

5.1 These can be broken down into Planning and Monitoring; Structural Arrangements; Specialist Resources; and Funding Issues.

#### *Planning and Monitoring*

5.2 The DfES has no figures on the number of disabled children in schools, although it intends to start collecting these in January 2004. This clearly makes service planning more difficult.

5.3 DfES has no plans of its own to monitor the quality or effective implementation of access strategies and plans. Instead, Ofsted will commence a rolling programme of inspection of the planning process in September, 2003, with its first report scheduled only for July 2004.

5.4 We do not believe that teachers, parents and pupils should have to wait until July 2004 for the first indication of how the planning process is actually working. If our own evidence is considered incomplete, the Department should undertake some preliminary work on the actual situation in the classroom no later than the beginning of the 2003–04 school year.

5.5 The Government asserts that it has made more money available for the inclusion of disabled children. Writing to Professor Ian Bruce, Director-General of RNIB, on 5 November 2002, the Minister for Disabled People, Maria Eagle, MP, stated:

“The Schools Access Initiative further supports the implementation of the planning duty, with £70 million available in England in 2002–03, rising to £100 million in 2003–04 and for each of the two following years.”

5.6 However, the Department is quite unable to say what proportion of this money has gone towards accessible curriculum material and what proportion to physical adaptation of buildings and other facilities. There is thus little to substantiate any assertion that more money is being spent on accessible curriculum materials.

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<sup>2</sup> Not printed.

5.7 Local education authorities are grouped in regional “Special Educational Needs (SEN) Partnerships”, and the Government has appointed a SEN national adviser. This person has been asked to raise our concerns with the Partnerships.

### *Structural Arrangements*

5.8 It is important to define the roles and responsibilities of the key players: government, voluntary sector, local authorities, schools and individuals:

(a) Local/individual level.

This has to be where most materials will be produced. RNIB believes two things are needed.

- (i) A mechanism to ensure that each local authority assigns the necessary level of funding for producing materials required at local level, in accordance with SENDA. (They could produce the material themselves, do so through dedicated services for visually impaired children or resourced schools, or work at a regional or sub-regional level with others to ensure it happens.)
  - (ii) There needs to be a statutory entitlement of individual users to the necessary technology to access certain materials themselves.
- (b) National level.

Because of the nature of materials, it is unrealistic for local (or even regional) bodies to produce specialist books (eg maths textbooks) in accessible formats. We also want to avoid duplication of relatively ‘high volume’ items used widely throughout the country such as items for national literacy initiatives, “A” level set books and school library books. Hence there needs to be strengthened national co-ordination of the production of these categories of book.

Priorities could be agreed by a user/producer forum built from existing curriculum groups. This would allocate work to one of the national providers. There needs to be central (government) funding for this work.

### *Specialist Resources*

5.9 The arrangements suggested above would afford some improvement in the short term. However, in the longer term, RNIB wants to work with publishers and government on the creation of a national electronic repository, which would enable a far greater percentage of materials to be made available to users. Such a repository could lie with an existing agency or with one of the Deposit Libraries.

5.10 Publishers would require guarantees that the material thus deposited would not be abused and that their overall sales levels would not diminish. A deposit scheme of this nature would require a new code of practice for publishers. Legislation might also be an option, although at the moment we prefer to concentrate on the voluntary approach.

5.11 At this stage, government could usefully contribute by funding research to investigate different options.

5.12 One requirement would be an agreed file specification. A recent project in Scotland has illustrated the value to all parties of using the Daisy standard for the creation of audio, large print and braille. This is an internationally agreed set of specifications which greatly improves the scope for searching, retrieving, marking and generally working in alternative formats in a way more akin to those used by sighted people.

5.13 It should be understood that some skills reside only in one or a very few organisations. The creation of a good quality map or tactile diagram, for example, braille maths notation or braille music. It takes RNIB two and a half years to train someone to transcribe braille music at a cost of £125,000. We are the only organisation with braille music transcription services in the UK.

5.14 We maintain a wide skill set including languages, maths, science and computing. If specialist material is not commissioned, not only will pupils suffer in the short term but the skills base will become unsustainable, posts will be lost and it will be very difficult to recover in the future.

5.15 Our capacity, and that of others, can only be increased in a context where long-term contractual arrangements could be guaranteed.

5.16 For the current financial year, RNIB is pro-actively producing a small range of textbooks, selected on the basis of views collected from teachers in March. We feel this is a more rational use of limited resources than responding on an ad hoc basis to individual requests. However, the publication will be at our own financial risk. Similarly the National Blind Children’s Society is able to produce a selection of specialist large print books but again, this is at their own expense and financial risk.

### *Funding Arrangements*

5.17 It has never been right that accessible material for blind or partially sighted children should be financed from charitable funds. Now it is also impractical. RNIB and other producers are no longer able to subsidise the production or distribution of this material. In RNIB's case this means that our previous subsidy of approximately £0.5 million is no longer available as from the present financial year. This decision has been forced on RNIB by adverse economic conditions, similar to those currently faced by most voluntary agencies.

5.18 Hence the full cost of creating most accessible curriculum material will from now on have to be met from the public purse. Pupils should not have to suffer while the Government, local authorities and schools adapt to this new, essentially healthier situation.

5.19 Some examples of the high cost of producing specialised material are given in Appendix 2.<sup>3</sup>

5.20 In her letter to Professor Ian Bruce of 5 November 2002, referred to above, the Minister for Disabled people also wrote:

“importantly, more education funding is going directly to schools, enabling them to provide the additional support and resource required to meet children's needs”.

5.21 As indicated in paragraph 5.8 on structural arrangements above, we do not believe that it is the best use of resources to devolve all funds to schools and to leave none for co-ordinated national initiatives.

5.22 The Government has invited us to discuss our concerns only within the context of no additional resources. They argue that the funding allocated to the Schools Access Initiative is sufficient to cover access to the curriculum through alternative formats as well as physical access to buildings and other facilities. However, as mentioned above, there appears to be no analysis of the items on which this funding is spent.

5.23 If no additional funding is immediately available, it seems to us that the very least that should be done is to re-allocate some of the funding. As illustrated above, it is often not a wise use of resources to attempt to organise everything locally. Some work is much better done centrally, with the initial set up costs for a given title fairly spread amongst the schools or authorities that wish to purchase it. We would therefore suggest that an element of the Schools Access Initiative funding be “top sliced” and allocated to a central pool.

NOTE:

### *The Braille Grant*

5.24 The only regular Government funding of braille is the “Braille Grant”, £200,000 a year, now administered by the Department for Education and Skills. This has been static for some years, having once stood at £250,000 per annum. Government plans in the 1990s to phase it out were successfully resisted.

5.25 The grant is used in support of the “braille infrastructure”, supporting the Braille Authority of the UK (BAUK) and professional bodies such as the UK Association of Braille Producers, running volunteer brailleists and maintaining code manuals. It does not serve to subsidise the production of any books.

5.26 Astonishingly there are no Government grants to support the production of specialist large print materials.

## 6. CONCLUSION AND RECOMMENDATIONS

6.1 The need for action to bring curriculum materials to blind and partially sighted children in the right format at the right time is acute. Government appears to have far too little information on numbers of pupils and the amount of public money being devoted to their needs. There is little central planning or co-ordination, and the devolution of all financial responsibility to local level militates against this.

6.2 If blind and partially sighted children and others with reading disabilities are to get the education to which they are entitled, the following recommendations must be implemented:

- Government should move more quickly to gather accurate statistics on the numbers of visually impaired and other disabled children in different age groups throughout the country. Figures then need to be kept regularly up to date.
- In advance of the Ofsted inspection of the planning process, DfES should undertake some preliminary investigation of the effectiveness of the new arrangements by the beginning of the forthcoming school year.
- DfES should take steps to analyse what proportion of the Schools Access Initiative fund is spent on access to the curriculum rather than access to buildings and other facilities.
- There should be a mechanism to ensure that each local authority assigns the necessary level of funding for producing accessible materials required at local level, in accordance with SENDA obligations.

<sup>3</sup> Not printed.

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- There should be strengthened national co-ordination, backed by Government funding, of the production of accessible versions of textbooks. This could take the form of the National Agency proposed by the Children's Response Group.
  - If additional resources are not immediately available, an element of the Schools Access Initiative funding should be re-allocated to a central budget for co-ordinated production of materials most cost-effectively produced at that level, including particularly complex and specialist books and those required in relatively high numbers.
  - Government should actively investigate options for a national repository of electronic versions of texts which could be used as a source for the production of accessible versions.

6.3 RNIB and members of the Children's Response Group urge the Committee to endorse these recommendations. We would be delighted to submit further written or oral evidence to the Committee as required.

*June 2003*

### **Memorandum submitted by the National Union of Teachers**

#### **INTRODUCTION**

1. The National Union of Teachers (NUT) welcomes the opportunity to submit evidence on Private Finance Initiative (PFI) projects to the Education and Skills Committee review of Public Expenditure.

2. The NUT's PFI Unit monitors all schools PFI projects in England and Wales and draws upon local Divisions and Associations experiences of PFI to inform the development of its own policies.

3. The NUT's submission to the Education and Skills Committee is based upon this local evidence as well as findings from national research on PFI in schools. The report draws attention to the implications of this evidence in view of the DfES' plans to further the use of PFI in schools as detailed in their annual report.

#### **LOCAL EVIDENCE**

4. The NUT would draw to the attention of the Select Committee the attached NUT document (Annex A) "Five reasons why teachers and school governors should say no to PFI".<sup>4</sup> This document details a selection of the many negative experiences of PFI in schools. Specifically it sets out the five reasons why the NUT opposes the use of PFI in schools:

- It does not offer value for money;
- It meets the needs of contractors and not the needs of schools;
- PFI threatens future education budgets;
- Privatised "facilities management" does not improve the quality of services; and
- All the project risks do not transfer to the private contractor.

#### **CONSULTATION AND DISCLOSURE OF INFORMATION IN SCHOOLS PFI PROJECTS**

5. The NUT has recently expressed its concerns to the DfES about the weaknesses and lack of transparency in the present consultation arrangements following our experiences with the Calderdale Schools PFI project. A copy of the letter that was sent to the DfES on 13 May 2003 is attached to this submission as Annex B.<sup>5</sup> The NUT is awaiting a reply from the DfES.

6. The NUT is further concerned by the affect that the DfES' plans to shorten the procurement of PFI projects could have on consultation processes. Whilst the NUT would welcome the lower costs to the public sector that would result from a shortening of the procurement process, a streamlined procurement process should include sufficient time for meaningful consultation with trade unions and other key stakeholders.

7. Furthermore, the Building Schools for the Future proposals (see paragraphs 35–40) will weaken the democratic accountability of PFI projects by transferring key decisions from the LEA to a regional body. This is a matter of serious concern.

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<sup>4</sup> Not printed.

<sup>5</sup> Not printed.

## NATIONAL EVIDENCE

*Audit commission report “PFI in schools”*

8. The NUT would draw to the attention of the Select Committee the Audit Commission’s report “PFI in Schools”, published in January 2003<sup>6</sup>. The Audit Commission compared a sample of traditionally funded new schools across England and Wales with 17 of the early PFI schools. The report examines whether the PFI schools were of good quality, what the schools’ users thought about the buildings and services, and their cost.

9. The study found that overall, the quality of all schools, however funded, fell below “best practice”. The quality of the PFI schools was, statistically speaking, significantly worse than that of the traditionally funded sample. The expected benefits of a single private consortium designing, building and operating schools were not yet widely evident.

10. The unit costs of new schools varied widely, with no clear-cut difference between PFI and traditional schools in either construction or most running costs. There was no evidence that PFI schools were delivered quicker.

11. The study noted that the DfES only approves an outline business case for a PFI scheme if the schools have been consulted and given their agreement to the scheme. Yet the report found that the level of staff involvement varied across the early PFI schemes. Only 16% of users stated that they were involved in the procurement process “a great deal” or “a fair amount”. Those users who expressed less overall satisfaction with their new school also said that they had little involvement in the design phase.

12. Problems in some early PFI schemes arose from the PFI providers’ lack of understanding of what schools needed.

13. Some schools stated that specialist equipment installed by the PFI provider was out of date. The Commission believes that equipment obsolescence is a risk that needs to be factored in to the financial calculations.

14. In some schemes the last minute cutting down of the specification to fit affordability constraints led to some components and design ‘desirables’ being sacrificed. Some of the affected schools then had to install additional furniture and equipment at their own expense.

15. The report identified a number of areas where unplanned risks could emerge during the contractual period. For example, the popularity of new-build schools can lead to increased demand risk, with pressure to expand pupil capacity very quickly. Whilst the Audit Commission regards this as a positive sign, it notes that the LEA must deal with the consequent financial demands that arise from a variation to a PFI contract. There is also a possible risk to neighbouring schools from a drop in demand that could create additional financial pressures for the LEA. Early signs of this risk materialising were reported during the fieldwork period.

16. If there is a major problem with a school building, the bottom line is that the LEA must step in if the PFI provider fails to respond appropriately, because it is the LEAs responsibility to provide the education service.

17. The payment mechanism is the primary vehicle for ensuring that the PFI provider performs to the standards set out in the output specification and therefore for achieving good value for money. Yet, the Audit Commission found that the mechanism was not enforced rigorously in some instances. For example, teething problems with the provider’s information system meant that one LEA had no information base to make any deductions. In addition, further work is needed to ensure that payment deductions are a proper reflection of the impact of the non-delivery of a service. For example, a deduction of £268.62 was made out of a monthly payment of about £150,000, for two days’ non-availability of an athletics field. This sum may not be high enough to act as an effective incentive, and probably cost more to calculate and administer than the value of the deduction.

18. The report emphasised that the Public Sector Comparator (PSC) is one of the significant inputs informing the judgement as to whether a project will deliver good value for money. The Audit Commission believes that the PSC falls short of this in two important ways:

- It compares a PFI scheme’s cost with a hypothetical alternative, rather than an actual set of costs from comparable schemes; and
- It considers the projected PFI contract cost before the design is finalised rather than the actual outcomes of the final contract negotiations.

19. In every case the Commission investigated PFI was judged to offer a saving over the PSC. This would suggest that the value for money of schools PFI has already been proven. But if the PFI scheme’s costs were not lower than the PSC estimate, it was unlikely to receive permission to proceed, and the opportunity to obtain new buildings or refurbishment would have been lost. Some interviewees claimed that the incentive to estimate on the high side for the PSC in order to obtain the government funding was strong. In all but two of the schemes in the sample the cost advantage of the PFI option relied on the estimate of the cost of

<sup>6</sup> Audit Commission, ‘PFI in Schools’ [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) (2003).

risks transferred. And the size of risks transferred was related to the difference between the PFI cost and the PSC estimate—where the PSC estimate of construction and running costs was much below the PFI cost, the cost of risk transfer added on was on average higher.

20. Most of the LEA officers interviewed by the Audit Commission stated that affordability gaps under PFI had grown as a result of some of the improvements introduced. Yet the Commission found that the additional cost of these improvements was not off-set in the early schemes by the hoped for efficiency gains in schools capital and running costs resulting from innovation or service efficiencies.

21. The report identified the risk with PFI is that the impact of under-funding may well surface several years into the contract, allowing LEAs little room for manoeuvre.

22. The Audit Commission found that the early wave school schemes shows that the PFI process did not as a matter of course guarantee better quality buildings and services, or lower unit costs. The Commission believes that the key lesson is that if the large-scale new investment is to fulfil the Government's vision of quality schools that can boost attainment, then these benefits must be levered out from each individual scheme, and a way found to ensure that a scheme does not fall short of this vision during the procurement process. A consistent message, particularly from headteachers, was that a significant investment of time and personal commitment in the detailed design and development stages is essential if the benefits are to be realised.

#### AUDIT SCOTLAND REPORT ON PFI IN SCHOOLS

23. The NUT would draw to the attention of the Committee the Audit Scotland report "Taking the initiative—using PFI contracts to renew council schools".<sup>7</sup> The study looked in detail at six of the twelve PFI schools projects currently in operation in Scotland.

24. Audit Scotland reported that the single most important driver of PFI as the procurement route for new schools has been the opportunity to obtain substantial additional investment. Alternative traditionally funded procurement routes have not been a viable option within the financial framework in operation. This purports the often-repeated claim of English LEA's that PFI is the "only game in town".

25. For some schools there is a risk of long-term pupil roll reductions and surplus capacity. It is also likely that there will be new legislation and shifts in education policy over the 25–30 year lifetime of the PFI contracts that will affect how the school buildings are used and what is required of them. For future PFI projects, councils and private sector providers should explore the allocation of risk carefully, particularly whether PFI providers should and could take more responsibility for managing risk associated with the need to reconfigure schools, should demand vary within predetermined limits.

26. The report called on the Scottish Executive to consider the benefits of promoting real choice between procurement options for school services and said that creating a framework that allows councils to choose between a mixture of procurement options (i.e. both PFI and non-PFI) would help secure best value from PFI.

27. The benefits of PFI procurement are not consistently available to all school projects or are all unique. It may be possible to achieve similar benefits from other procurement approaches but in practice because of funding considerations there has been little or no opportunity for councils to test them in practice. Disbenefits of the use of PFI in schools are:

- Managing the PFI procurement process is expensive for both public and private sectors, particularly for smaller projects. In the six cases that Audit Scotland examined the combined set up and advisers cost for private and public sectors ranged between £1 million and £12 million (or between 5% and 15% of core constructions costs);
- There is a risk that future financial pressures will fall on the remaining part of the education budget or on other council services. For the six projects examined the net PFI payments (after deducting level playing field support grant) averaged 14% of the councils' total non-staff education budget. In Glasgow (the largest contract) the net PFI charges represent 24% of the council's entire non-staff education expenditure in 2000–01; and
- The cost of private finance is higher than in the public sector. This cost generally varied in the range 8% to 10% a year, 2.5% to 4% higher than a council would pay if it borrowed money on its own account for a similar project.

28. Audit Scotland found that in most cases the cost advantage in favour of PFI as opposed to the PSC was narrow:

- In five of the six cases the PFI construction costs were higher than the PSC;
- In all six cases the operating costs of the PFI option were higher than the PSC; and
- In most cases the risk adjustment figure tipped the balance back in favour of the PFI option.

<sup>7</sup> Audit Scotland "Taking the initiative—using PFI contracts to renew council schools" (2002).

#### HARINGEY SCHOOLS PFI SCHEME

29. The NUT would draw to the attention of the Committee a report on the Haringey Schools PFI scheme which was published in 2002<sup>8</sup>.

30. The report found that two years after signing the PFI contract, Haringey LEA was short of more than £6 million needed to complete the work the PFI deal was supposed to cover. The LEA had to take £250,000 from the budget for the borough's primary and secondary schools to cover the funding shortfall.

31. The LEA then had to agree to find an extra £2 million a year for most of the 25 years of the contract from its own resources.

32. The report noted that to get government approval for a PFI scheme, local authorities have to demonstrate that it would give better "value for money" than using publicly-provided financing, and that the council could afford it. In Haringey, councillors were advised to exclude the provision of essential services from the contract to make the project "affordable". Yet, Haringey's Outline Business Case stated that the cost of the PFI option was £12.9 million higher than the Public Sector Comparator (PSC). The estimated cost of the public sector option was then "refined" upwards until it was higher than the Council's preferred PFI bidder. Part of this refinement involved adding to the PSC the cost of the various risks involved in refurbishing, maintaining and operating school buildings. But how can such risks be quantified? One commentator noted "there is some evidence that the costs of risks transferred. . . to the private sector have been exaggerated so casting the PFI option in an unduly favourable light".

33. The classroom size set out in the PFI contract is too small for the curriculum needs in at least three of the schools. The necessary variation to the contract will cost the schools more than £1million between them. They can no longer change contractors and what is more, the annual payments to the contractor take priority over everything else, including the teaching budget, regardless of whether or not government funding for either councils or schools is adequate.

34. The report highlighted the role of school governors in the Haringey PFI project. Governors were excluded from playing any role in deciding what refurbishment their schools needed, in spite of having hands on local knowledge of their needs. The Council delayed consulting school governors about the PFI proposals until the plans were almost ready for Treasury approval. Later, it provided them with a mass of complex detail that they were ill equipped to understand, and gave them little help in understanding it. Many governors' doubts about the project hardened into opposition so the council made strenuous efforts to persuade them that they had no choice but to agree as PFI was the "only game in town". The most reluctant governors won a few concessions (one was promised a new sports hall for their school) and eventually all of them fell into line.

#### BUILDING SCHOOLS FOR THE FUTURE

35. The NUT has previously commented on the DfES' Building Schools for the Future proposals in its response to the consultation exercise which accompanied the launch of the proposals. The NUT would draw to the attention of the Committee its main concerns about the proposals:

36. The consultation paper proposes that of the £2.2 billion that would be allocated in 2005–06 to a new national procurement body, £1.2 billion would be procured via PFI. As the NUT is opposed to the use of PFI it believes that all of the £2.2 billion funds should be procured through traditional capital funding.

37. The NUT views the Government's decision to earmark a set amount of funds for PFI schemes years in advance of any procurement process as unwise. It pre-supposes that using the Government's criteria PFI will offer better value for money than other procurement methods in 2–3 years time. Instead of allocating £1.2 billion to be procured through PFI, the Government should allow greater flexibility and accept that value for money might be best achieved procuring the full £2.2 billion through traditional capital funding.

38. It is unclear from the Building Schools for the Future consultation paper whether the proposed £1.2 billion to be procured through PFI will be ring fenced. Clarity is needed in view of the frequent occurrence of rising project costs in PFI schemes. For example, if £1.2 billion was not enough for the Government to fund the PFI projects where would the additional funding come from? The NUT would be concerned that there may be a temptation to re-allocate funds from the remaining £1 billion of the £2.2 billion to cover the costs of PFI. To avoid such a situation, the NUT, in its response to the consultation exercise, urged the Government to ring fence the £1 billion PFI funds.

39. Furthermore, the proposal that companies that successfully win the first bids will be awarded all the contracts for the next five years (as is the case with the Partnerships for Church of England Schools initiative) cannot be in the public interest, or consistent with the securing of best value from competitive tendering. It is also difficult to see how such arrangements could accord with the European Union procurement directives.

40. The NUT is surprised to see Building Schools for the Future described as a "commitment" in the DfES Annual Report (launched on 14 May) when the deadline for responding to the consultation exercise was not until 30 May. By including the proposals in their Annual Report before the end of this consultation process, the DfES pre-supposes acceptance of the proposals by those responding to the consultation.

<sup>8</sup> Melanie McFadyean and David Rowland "PFI vs Democracy? School governors and the Haringey Schools PFI Scheme" (2002).



## CONCLUSIONS

41. In view of the substantial amount of evidence detailed above, the NUT considers the DfES' plans to further the use of PFI in schools, as set out in their 2003 Annual Report, to be ill advised.

*June 2003*

### **Memorandum submitted by the Secondary Heads Association (SHA)**

#### SCHOOL BUDGETS 2003–04

SHA represents eleven thousand leaders of secondary schools and colleges, with members in the overwhelming majority of secondary schools and sixth form colleges.

We have supported the local management of schools since the introduction in 1992. We believe that making the key decisions at school level is both efficient and effective.

We have supported the move towards a more coherent funding of post-16 education, related to the course the student is following and not the institution.

We have worked hard both with government and LEAs to ensure that the distribution of funds to schools is fair, transparent and meets educational needs.

School leaders have been dismayed and angry this year that ministerial promises of substantially higher funding have gone so disastrously wrong in so many cases. The extent of the problem will become clear when we know the figure for the total job losses (of which redundancies are only a part).

SHA believes that the government and some, but by no means all, local authorities share the blame for this situation.

#### WHAT WENT WRONG THIS YEAR?

1. Too many changes were made in one year to an already complex system.
2. School leaders and governors had been led to believe that there would be a real terms increase per pupil (real terms increases of between 3.2% and 7% per pupil were widely quoted last autumn).
3. In practice there was only a very small real terms increase across the country. The difference between the promised increase and the actual increase was caused by a large increase in school costs that had not been properly calculated by the DfES so that they had underestimated educational inflation. The promised real terms increase did not materialise.
4. The real increase into LEAs was about 1% across the country and in most LEAs even this did not get through to school budgets—some schools actually received a cash decrease with no change in pupil numbers.
5. Schools are faced with further increases in costs to meet the workforce remodelling agenda this year and yet few schools are even in a position to maintain the present staffing levels, let alone make modest increases.

#### *1. Too many changes were made in one year to an already complex system*

The changes include:

- A major review of the formula used to calculate the rate support grant (RSG) for all local authority services including education.
- A change in the proportion of RSG to many authorities under the resource equalisation.
- A change in the way money was allocated to LEAs, creating an LEA block and a schools block.
- Moving a substantial amount of the standards funds into the core funding; some of the standards funds had been targeted at specific needs and the formula allocation of core funding to LEAs, or by LEAs to their schools, did not necessarily address those needs.
- There was an increase in the employers' contributions to teachers' pensions. Funds to cover this were put into the core budget and distributed under the new formula, so did not necessarily match the needs of individual schools.
- Changes made to the teachers' pay spine in September 2002 meant that the full year effect of this was considerable. The DfES had assumed these changes would be cost neutral but the main spine was shortened and teachers on the bottom of the main spine received increases substantially above the average.
- The increases in NI contributions and the pay agreement for support staff in school all added to educational inflation.
- Some LEAs chose to change their local formula for distribution to schools as well.

2. *School leaders and governors had been led to believe that there would be a real terms increase per pupil (real term increases of between 3.2% and 7% per pupil were widely quoted last autumn).*

The government planned to minimise turbulence in LEA funding as the new system was introduced. They established a system of floors and ceilings. Taking into account general inflation and the increase in teachers' pensions contributions, they then calculated that all authorities would receive at least a 3.2% per pupil increase (the floor) up to a 7% per pupil increase (the ceiling). In practice they had underestimated the true inflation in education.

No floors or ceilings were put in place for individual schools.

3. *In practice there was only a very small real terms increase across the country. The difference between the promised increase and the actual increase was caused by a large increase in school costs that had not been properly calculated by the DfES so that they had underestimated educational inflation and the promised real terms increase did not materialise.*

We estimated that an average secondary school would need a 10.5% cash increase into its core budget from the LEA to cover:

- Increase in employers contributions to pensions (5.1% not the 4.7% assumed by the government).
- The increase in NI contributions.
- Teachers' pay increases including the additional cost of shortening the pay spine.
- Increases in salaries and on-costs of support staff.
- Inflation on non-staff costs.
- A reduction in standards funds (because this money had been moved into the LEA core budget).

4. *The cash increase into LEAs was about 11.6% across the country and in most LEAs even this did not get through to school budgets—some schools actually received a cash decrease with no change in pupil numbers.*

There is a cash increase on average across the country of 11.6% into LEA Schools Budgets; but with a 10.5% cash increase needed to stand still there is little real growth in the whole system. It is certainly not the minimum 3.2% real terms increase promised in the autumn and used by staff and governors in their planning.

In practice the situation in schools is much worse than this. The Schools Budget in LEA funding has to cover the money distributed to maintained schools (the individual schools budget) and some central costs. The central costs include pupil referral units and some costs associated with pupils with special needs as well as a miscellany of small items. Most LEAs have increased their spending on these items above the overall increase into the Schools Budget so that the percentage increase into the individual schools budgets is well below the increase into the Schools Block as a whole. All this is shown clearly in Figures 1 and 2.

**Figure 1: SHA funding questionnaire analysis showing increase in individual schools budgets well below the increase into the LEA Schools Budget**

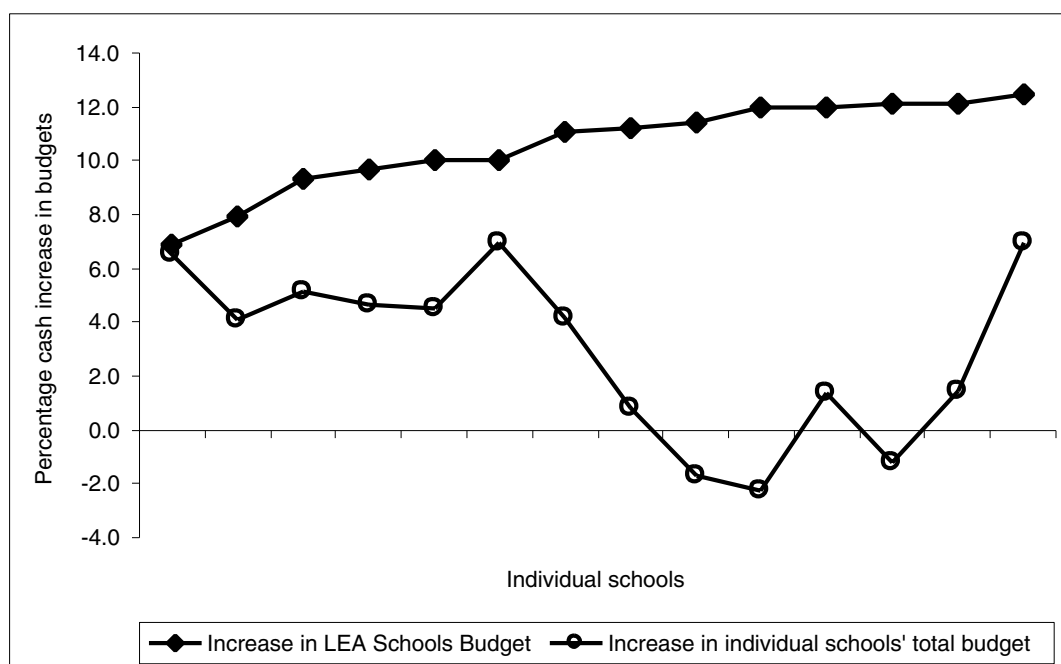
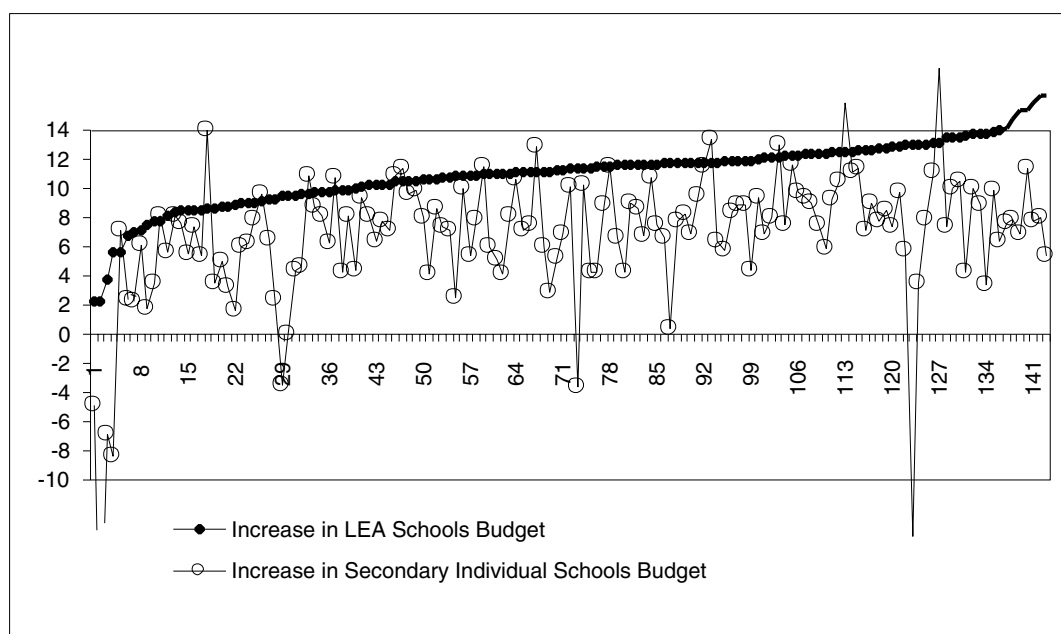


Figure 1 is taken from a survey SHA carried out in April 2003. For this graph all the schools took pupils from age 11 to 16 so there was no confusion over post-16 funding (which uses a different financial year). None of the schools had significant changes in pupil numbers. We calculated the increase from 2002 to 2003 in the basic budget a school received from the LEA including all standards funds and grants as well as the core LEA formula budget. This increase is then compared with the increase into the Schools Budget from 2002 to 2003 for the school's LEA. The LEA line is the top line. As you can see, most of the schools received a percentage increase well below the increase into the LEA.

**Figure 2: From Section 52 returns showing that in most authorities the percentage increase in the secondary Individual Schools Budgets was lower than the percentage increase into the Schools Budget**



The same pattern is shown in Figure 2. This is taken from the Section 52 returns that LEAs make each year. The smooth line is the percentage cash increase into the LEA's Schools Budget arranged in order of percentage cash increase. The other line is the corresponding increase into the secondary individual schools budget for that authority. As you can see, the percentage increase into Schools Budgets is about 11.6% on average across the country. The majority of authorities have increased their secondary individual schools

budgets by a lower percentage. There may very well be local reasons for some of the more bizarre figures, but the picture overall is that LEAs held onto more at the centre than expected and the increase into individual schools budgets suffered.

In many authorities the increase into the secondary individual schools budget was well below the 10.5% cash increase schools needed to stand still.

However, the turbulence in the whole funding system also affects individual schools. Schools with the following characteristics were particularly hard hit:

- A high proportion of teachers on the lower part of the pay scale. These staff received substantial pay increases and will continue to receive above average pay rises for the next few years as they move up a shortened pay spine.
- Income to the school that was heavily dependent on standards funds. Some schools received up to 25% of their budget through this means and were therefore very vulnerable to any reallocation.

Many schools in London had both of these characteristics.

*5. Schools are faced with further increases in costs to meet the workforce remodelling agenda this year and yet few schools are even in a position to maintain the present staffing levels let alone make modest increases.*

SHA has supported the changes proposed for remodelling the workforce. We believe these will improve the education service by enabling teachers to concentrate on the important work of teaching and have a sensible work/life balance. This will help in both the recruitment and retention of staff. Other necessary work in a school will be undertaken by a properly trained, supported and rewarded team of support staff and again this will improve recruitment and retention of these essential people. However, we have always emphasised the need to fund these reforms. We are very concerned that the paper produced by the DfES purporting to show that there will be sufficient funding over the next few years to cover this agenda has already been shown to be based on false assumptions. It is a matter of urgency that this paper is reworked and a sensible, fully funded timetable is agreed.

## THE WAY FORWARD

*The basic formula for assessing EFSS at the LEA level is sound and should not be altered.*

The whole system is more rational and based on up-to-date and relevant data. There will need to be a system of floors and ceilings during the first few years to reduce turbulence, but this needs to be clearly time limited and to be sufficiently robust to prevent the wild swings we have seen this year.

*Basic entitlement should be related to real educational costs.*

The formula relating to pupils in maintained schools is based on four elements:

- A basic entitlement for every pupil.
- Additional money for pupils with additional educational needs.
- Additional money for areas with above average costs.
- Additional money for primary pupils in areas of population sparsity (for secondary pupils there is additional money in the LEA block to cover transport costs).

Our main criticism is in the methodology of calculating the basic entitlement. We recognise that the basic entitlement will be determined by the total amount available. In the EFSG all the members apart from the DfES wanted to look at an Activity Led Funding (ALF) method for calculating the basic entitlement. In such a model the cost of providing basic schooling is carefully analysed. It means being prepared to state the average class sizes the money will fund and many other educational variables (such as what is reasonable to spend on books) but it does not commit any individual school to this particular pattern of expenditure. Many local authorities already use at least a partial activity led model for calculating their local formula for schools. The results can be uncomfortable and sometimes salutary, but there are several advantages in developing the model. It makes calculating the real cost of any proposed innovation much easier. It allows everyone to see improvements in basic provision when funding levels are increased and, most valuable of all this year, it allows the real educational inflation to be estimated.

SHA was very disappointed when the DfES discontinued the work on ALF. When the basic entitlement was produced (by taking the sum available and dividing by the number of pupils) we worked backwards and produced our own model. It is certainly a salutary exercise. We used the model to calculate the real education inflation this year. We would like to see the DfES reinstate the work on ALF. Even if it is not initially used in the funding formula, it still has advantages in providing a readily understandable model.

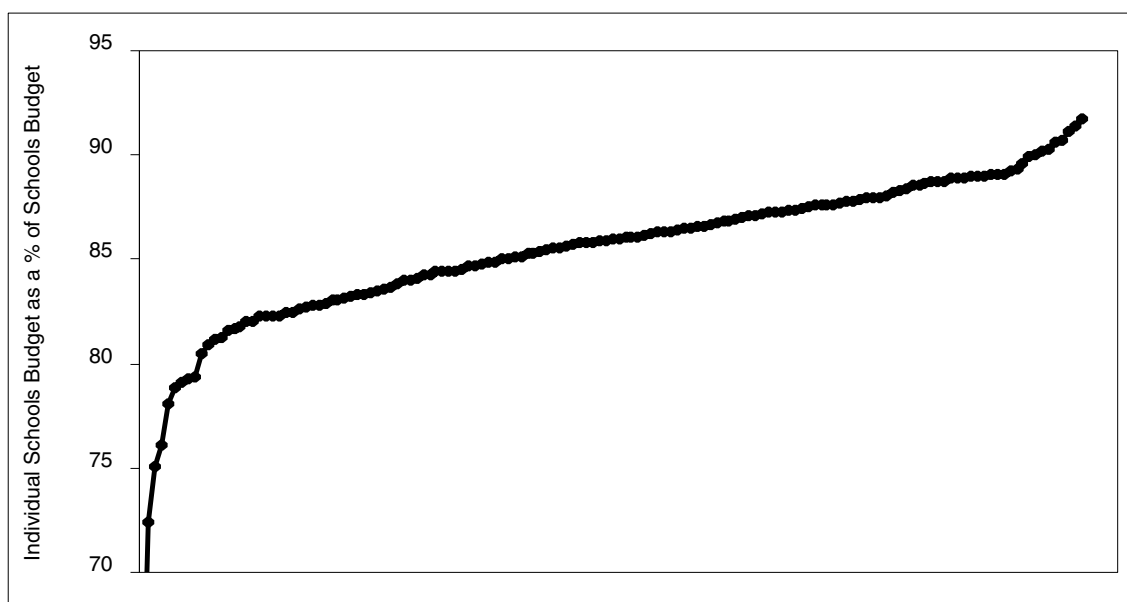
*Education funding at local level should be ring-fenced; LEAs should be required to spend at least at the recommended level and there should be a guarantee that increases in the basic entitlement are reflected in individual schools budgets.*

In the original green paper on local authority funding there was a discussion on the merits of ring-fencing education spending. In the end the government rejected this idea in favour of persuasion. It is our view that persuasion has not worked and that there is even more of a funding fog than before.

There are two ways in which LEAs can distort spending:

- A local authority may decide to spend below the recommended level on their Schools Budget. Most LEAs spend above the recommended level. However this only makes it even worse that the lowest spending LEA spends at a level almost 10% below the recommended level. The government's attempt at persuasion did not touch this. This year the DfES checked that LEAs had passported their increase in EFSS into their Schools Budgets. However, they did so by comparing this year's expenditure with last year, checking that there was an appropriate increase. An authority that spent well below the recommended level last year could increase its expenditure in line with government recommendations, still be spending below the recommended level this year, but escape criticism. The schools in that authority are measured in national terms on all their "outputs" but a local decision can result in them receiving funding significantly below their neighbours. If the formula allocation to an LEA assumes a basic entitlement for all pupils, it is unacceptable that a local authority can provide below the basic entitlement.
- The introduction of an LEA Block and a Schools Block was a definite improvement and has made the funding system more transparent. However, the Schools Block is an unfortunate name; it would be more accurate to call it a Pupil Block. Not all of the funding in the Schools Block goes to the schools. At the moment there is far too much variation in the percentage of the Schools Block that actually goes into the individual schools budgets. If the whole block is based on a basic entitlement, individual authorities alter it so that some schools receive a significantly lower basic entitlement. This is neither fair nor transparent.

**Figure 3: From Section 52 showing the variation in the percentage of the Schools Budget that is spent on individual schools budgets and therefore the variation in the percentage of the basic entitlement that schools are given**



*Change the funding year for LEA funding to match the LSC funding year for post-16 students (the academic year).*

At present secondary schools have their LSC funding for post-16 pupils allocated on an academic year and their LEA funding for pupils aged 11–16 allocated on an April to March financial year. Usually schools do not receive an indication of their LEA budget until late in March and are required to set their budget by April. Any adjustments to staffing are usually made on an academic year basis. It would give everyone more time to plan more effective budgets if the LEA allocation was moved in line with the academic year, and with LSC funding.

### **Memorandum submitted by the Local Government Association**

1. The LGA welcomes the opportunity to give written evidence to the Education and Skills Committee and will also provide oral evidence, if requested to do so at the invitation of the Committee. The Local Government Association represents local authorities in England and Wales and exists to promote better local government.

#### **INTRODUCTION**

2. The LGA welcomes the additional investment that the government have made in education. This national commitment is matched locally with local government investing a further £4.3 billion of council tax in local education in the last ten years. We share the governments concern that a number of schools are reporting significant financial problems. We would add to this our own real concern that over the next two financial years these problems will increase.

3. We believe that there are 3 key factors that have led to these difficulties:

- Insufficient funding and late identification of cost pressures;
- Distribution changes and turbulence; and
- Inadequate communication between DfES, local authorities and schools.

#### **INSUFFICIENT FUNDING AND COST PRESSURES**

4. Despite the increase in funding for education a conservative estimate of increased costs demonstrates that this equates to only £250 million nationally. Across 24,000 schools this results in only a £10,000 increase per school.

5. The vast majority of schools budgets, as much as 80–95%, is spent on staffing and related costs. This leaves schools vulnerable to minor funding changes which can have a major impact. The degree of self-management of schools means that local authorities may have little information on budgetary or workforce planning at an individual school level until difficulties arise. Local authorities are severely limited in the support they can offer schools in setting budgets and influencing the balance of the proportion of income that is spent on staff. It is schools, not local authorities, that set staffing and pay levels.

6. The changes in the pay scales allied to the increases in teachers pay have a disproportionate impact on schools who spend a higher proportion of their income on staff as there is virtually no flexibility in their budgets to meet additional costs.

7. In total there is £1.1 billion held in schools balances. It is not currently possible under government guidelines for LEA's to take this into account when distributing funds locally.

#### **DISTRIBUTION CHANGES AND TURBULENCE**

8. This year there have been significant changes in the funding regime for education. These include:

- Changes to the formulae for distribution of funds to local government;
- Late announcement from DfES of the devolution of some standards fund grants; and
- Changes in teachers pay scales and increased employment costs.

The interaction of these changes has created significant turbulence at school level. Local authorities' ability to smooth this turbulence is severely restricted.

#### **COMMUNICATION BETWEEN DfES, LOCAL AUTHORITIES AND SCHOOLS**

9. Early work between DfES and local government could have modelled the impact of the changes down to school level. This would have allowed remedial action to be taken at an early stage. Instead, communications to head teachers led to false expectations of large increases to schools' income without balancing this with the anticipated pressures.

#### **PROPOSALS FOR A SUSTAINABLE SOLUTION TO THIS ISSUE**

10. Solutions such as tighter ring fencing and/or increased passporting or any national distribution system to schools will add to the problems encountered this year, not solve them.

11. To ensure difficulties are not experienced in future years, the LGA proposes:

- establishing better, earlier communication between schools, councils and the DfES on cost pressures facing schools and councils each year;
- an urgent review of how to secure more effective local financial management and human resource planning including more effective mechanisms for a strategic approach between councils and schools; and

- a wider review of the relationship between councils and schools, building on the Compact approach to the relationship between councils and the DfES.

12. The best long-term solution is to shift the balance of funding so local authorities receive more local income, and can therefore give schools more certainty of funding.

#### FUNDING FROM GOVERNMENT TO LOCAL AUTHORITIES

13. Schools receive funding from local government. The funding is made up of a combination of funding from central government through grants and from local government's additional investment in local education. There are two stages to funding schools: the distribution of central government grants to local authorities; and the distribution of grant from authorities to schools.

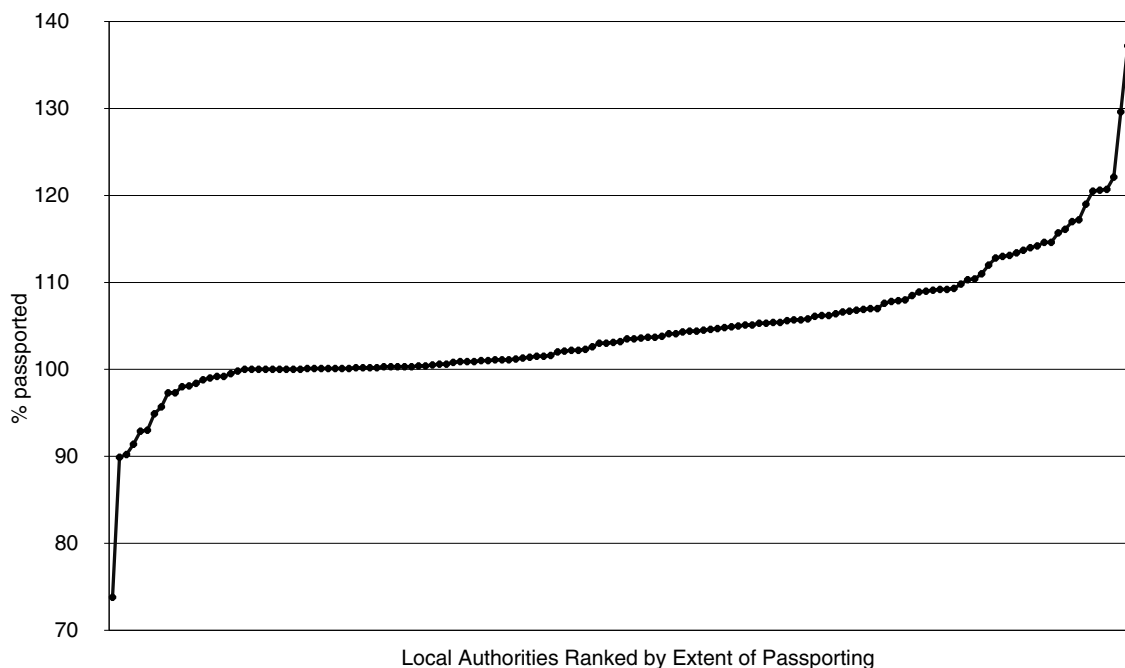
14. General grant funding comes in the form of Revenue Support Grant, which is distributed to authorities according to a formula, taking account of relative needs within authorities. This is known as Formula Spending Share (FSS). Education is one of the blocks within the FSS and the education formula is divided into blocks for Schools and Local Education Authority functions. Formula Spending Share is not all grant funding; it includes an assumption for funding from council tax. In addition to government spending on education, local councils have invested £4.3 billion in education in the last 10 years.

15. Authorities do not spend only the level of Schools FSS. In fact, figures for 2003–04 suggest that authorities are spending £186 million in total, above Schools FSS. However, the Secretary of State for Education has a reserve power to intervene to set a minimum schools budget, which he has made clear he is prepared to use if authorities do not “passport” their Schools FSS increase into their Schools Budgets. Local authorities often have to increase council tax to fulfil passporting levels, as these are indications of levels of spending and not always covered by government grant. This is one of the reasons for large increases in council tax this year.

16. The figures provided by DfES are summarised below in chart 1. Figures indicated that 19 councils have not yet passported through the full increase in their Schools FSS to the Schools Budgets, with a total shortfall for these 19 of £23 million. On the other hand, 56 councils have increased their Schools Budget by 5% or more above the passporting target. And, in aggregate, councils have increased their Schools Budgets in line with the increase in Schools FSS.

17. As well as increasing spending on Schools Budgets in line with the increase in provision, councils continue to spend above the overall level of the Schools FSS—by around £186 million. This reflects the continuing priority local authorities have given to education spending, reflected by the £4.3 billion that has been provided for education over the last 10 years above the level of provision from central government.

**Chart 1: Percentage of Schools Formula Spending Share Passported to Schools**



18. In addition to the money allocated via FSS there are also a number of specific grants, which are allocated for particular purposes. Most of these specific grants are ring-fenced. Some of these grants are grouped under the heading of the ‘Standards Fund’. Schools also receive a relatively small proportion of direct funding, the ‘Schools Standard Grant’.

19. In 2003–04:

- Education Formula Spending Share is £25,014 million (88%);
- Education Specific Grants, including the Standards Fund are £2,713 million (10%); and
- School Standards Grant is £800 million (2%).

20. In addition to this, funding for post-16 provision to 1,400 schools is paid by the Learning and Skills Council and the increase in funding this year (around 5%) is not at the same level as for schools (11.6%). Consequently, schools with post-16 provision (which is the most expensive provision in a secondary school due to smaller class sizes) will see a smaller increase, in total budget terms, than anticipated.

#### LOCAL AUTHORITIES TO SCHOOLS

21. Over the last ten years local government has invested an additional £4.3 billion in local education. In 2003–04 an extra £186 million is raised locally, through council tax or by reducing other council services. To increase council spending on education by as little as 1% means raising council tax by 4%, such is the “gearing” effect of local government finance. This is because the main proportion of local authority income is from government grant and a smaller amount is raised locally through council tax. Consequently, a council wishing to increase its education budget from £100 million to £104 million may have to increase council tax by 20%. This has major implications for “passporting” levels, as stated above.

22. The local formula is agreed between the local authority and local stakeholders such as Governors, Head teachers and Schools Forums. To change a local formula takes time and cannot be done in isolation by the authority, it must consult with local stakeholders and this process can take months to conclude. The speed at which the new funding system was agreed by DfES meant that, for 2003–04, many authorities did not have sufficient time to amend formulas to smooth turbulence in the system and take account of the withdrawal of some Standards Funds grants.

23. Local councils fund local schools through Fair Funding and local formulae. Local councils are best placed to ensure that local priorities are met by targeting funds to those schools whose pupils are most in need. Fair Funding ensures that all schools are treated fairly and that no school receives funds outside the transparency of the locally agreed formula. Local formulae are pupil-driven and 75% have to be allocated on the basis of pupil numbers. This restricts local flexibility to target funds to specific schools. Consequently, this has a disproportionate affect on funding to some schools.

24. In recent years, local authorities have been encouraged by government to ensure that local formulas take account of levels of deprivation to ensure funding is provided to those most in need. One of the difficulties of this year has been the ending of grants to some schools and the disproportionate impact on those schools. Without changing the local formula, those schools may have seen a disproportionate decrease in income.

25. Not all education funding is delegated to schools. Local government has a statutory duty to provide some services and authorities have to keep contingencies for these reasons.

26. The recent debate in the media and in particular the “missing £500 million” has not been helpful to local authorities and schools during the budget-setting process. There are no “missing millions” and councils are not “withholding funds from schools.” The facts are:

- at the time of the government’s exercise in March, many authorities were in the process of decision-making and had not allocated all funds to schools;
- some funds are distributed in line with DfES guidance and this is done “in-year”;
- some funding for Special Educational Needs is held centrally, for example statementing for SEN and central contingency; and
- funds are distributed for the forthcoming academic year, relating to school location and types of staff, such as Newly Qualified Teachers and Advanced Skills Teachers. These are not known until the summer and funding cannot be distributed until that time.

27. During the last financial year schools, collectively, held £1.1 billion in surplus balances. Under local schools management it is not possible for local authorities to use these funds in the short-term to assist schools in difficulties. Similarly, authorities cannot allocate fewer funds to schools with surplus balances by changing the Fair Funding formula.

#### SCHOOL-LEVEL FUNDING AND EXPENDITURE

28. The major expenditure for schools are salaries, representing between 80–95% of a school’s expenditure. There are 420,000 full time equivalent teachers in maintained schools in England. Local authorities have no control over the pay bill in schools and teachers’ salary increases are determined locally between the Head, Governing body and staff, within the statutory framework set by the Secretary of State. The Secretary of State also sets the Employers’ contribution for Teachers’ Pensions, which increased by 5.15%. Schools decide on starting salaries of teachers, key aspects of performance related pay and other allowances.



29. This year, although the pay increase was at the level of inflation, there are a number of aggravating factors that have led to schools experiencing difficulties, most of which were due to local factors leading to salary “drift”:

- the “labour market” in some areas means that Newly Qualified Teachers are not beginning their career at the foot of the pay scale but higher up;
- teachers passing through the second point for performance related pay are funded partly by the school and very few fail to pass this point following application;
- shortening the main pay scale for teachers has led to larger salary increments and these costs have to be paid by schools and it is questionable whether the “additional £250 million” is adequate to cover this;
- funding from Learning and Skills Councils have not been at the same level as from DfES through grant funding. The consequences are, for a school with a large number of post-16 pupils, the income is significantly lower than anticipated; and
- many schools, having experienced falling pupil numbers but growth in income over recent years, are now in a situation where staff cuts are necessary. There is an argument that this should have been done in previous years. Where Standards Funds grants have specific purposes or for a limited period, schools should have designed “exit” strategies.

30. Schools receive income from a variety of sources. There are a number of factors that have combined to cause less income for some schools:

- some Standards Funds grants ended and this income to schools lost;
- others were transferred to FSS and distributed through the local formula, thereby leading to different levels of funding and some schools may not realise as much income through this method as the funds spread too “thinly”;
- local demography such as younger/new teachers moving up the pay spine and consequently costing more to employ; and
- falling rolls in some schools means falling income, as funding is tied to pupil numbers.
- The government have relaxed rules to allow schools to transfer devolved capital to revenue spending but this is a short-term solution that will cause difficulties in future years if continued. Local authorities can also “licence” deficit budgets for this year, assuming balances and devolved capital have been used. This is also not sustainable over a number of years.

#### COST PRESSURES AND DIFFICULTIES IN 2003–04

31. The introduction of a new funding system for local government has inevitably resulted in winners and losers, both at local authority and at school level. Changes to the overall distribution of grants has been exacerbated in some areas, where the transfer of some ring-fenced grants into general grant and the ending of elements of the Standards Fund affected some schools disproportionately. Some of the main factors are:

- the formula for Education FSS was changed, so there is a Schools Block and LEA Block within the Education FSS. The formulae were damped so that no authority received an increase of less than 3.2% or greater than 7% per pupil;
- some specific grant ended, with funding being transferred to Formula Spending Shares. This amounted to £500 million in total. Other grants within the Standards Fund were ended. In total a net £305 million grants ended without being replaced. These pressures were not allowed for in the Revenue Support Grant; they were taken account of in the additional £27 million grant announced by DfES in March;
- the way of funding teachers pensions was changed, so that £586 million was transferred from the Treasury to local authorities, increasing their formula spending share, but a further £50 million of pensions pressures was not provided for;
- these changes would therefore have a different effect on different authorities and a different effect on schools within authorities. This is not surprising, nor should it be when LEAs and schools have been requested to “taper” local formulas to deliver government priorities such as tackling disadvantage and deprivation. Schools within authorities with higher levels of deprivation and lower standards will receive greater funds than others;
- local authorities’ Fair Funding formulae did not necessarily distribute grant in the same way as the Standards Funds. Some authorities changed their formulae in recognition, but did not have full information from DfES until the middle of December, which made consultation with schools and school Forums very difficult within the tight timescale;
- the impact of increases in teachers’ salaries on the Upper Pay Spine 2 appears to have been miscalculated. This suggests that the overall funding rise for education in 2003–04 is inadequate;

- 
- the level of “additional funding” was initially £2.7 billion but it has been acknowledged by government that, with the pressures accounted for, this figure is closer to £250 million. Additional cost pressures across schools leads to the likelihood that the total increase is spread too thinly across all schools in England, representing only an average of £10,000 per school; and
  - balance of funding. Too much funding comes in the form of grant and not enough in the form of local taxation and too much micro-management by government, particularly DfES.
32. The implementation of the workforce agreement will lead to additional pressures for this year and the coming two years as schools reduce teacher workload at a time when budgets are under such pressure.
33. The recent debate in the media and in particular the “missing £500 million” was not helpful to local authorities and schools during the budget-setting process. The debate surrounding “missing millions” and “funds withheld by local authorities” is as follows:
- the DfES highlighted that over £500 million was unallocated by local authorities at 31 March. The unallocated funds are not surprising and not unusual for that time of the financial year;
  - the DfES expressed concern that central spending by LEAs has increased at a rate faster than devolved school budgets and especially on Special Educational Needs. This is not surprising as the cost of SEN has been increasing rapidly over the last five years. Also, decisions to hold money centrally for SEN is taken in full consultation with schools and the Schools Forum. The amounts held by authorities nationally for SEN represents only 3.5% of the schools budgets;
  - new regulations and guidance on exclusions came into effect on 20 January 2003, stating that “LEAs may want to discuss with their schools the case for keeping more funding at the centre to allocate case by case to support reintegration, or for more central funding to allocate to support reintegration” of excluded pupils; and
  - some Standards Funds have still not been allocated by DfES and even in June, £139 million of Standards Funds grants have yet to be allocated by DfES to schools.
34. Following the Central-Local partnership meeting on 21 May a task group has been set up to examine the degree to which cost pressures have been met for 2003–04 and to identify anticipated difficulties for 2004–05. The LGA is involved in regular meetings with DfES and ODPM and the DfES will report on work of the group at the end of June.

#### A NATIONAL FUNDING SYSTEM—WHY IT WILL NOT WORK

35. A national funding system would not address the factors affecting this year’s problems. A national funding system cannot possibly recognise all local needs as local authorities can. Funding of 24,000 schools and 9 million pupils from Whitehall is a recipe for disaster. A national funding formula would be less, not more responsive to local needs, especially for small rural schools and those with multiple deprivation populations. Currently, councils take account of local needs through their own Fair Funding formulae, in consultation with local stakeholders and schools forums.

36. A national system will continue to result in winners and losers, as with the current local government funding system and that has been one of the key problems of the changes this year. It would also be extremely costly to set up with diversion of funds to bureaucratic processes rather than delivery of education. It will reduce the quality of education as no national or regional funding system can reflect local circumstances, as local authorities are in a position to do at present. Also, education is not delivered in a vacuum and this service needs to relate to other social policies and spending decisions, such as Social Services, neighbourhood renewal and housing. Nationalising education finance would also place a significant additional burden on the public purse and could lead to less money available for education.

37. If the government could take over all of the funding from schools, it can no longer rely on the substantial increase in spending by use of council tax. Local councils added to education spending from their own resources, by over £186 million this year and over £4.3 billion over the last 10 years. The government would need to find these funds from elsewhere or the level of education funding going into education would be less.

38. A national formula may lead to greater inequality with each student getting the same amount and not reflecting differing need such as special educational needs and English as an additional language. A national funding formula would struggle to take this into account and only the local authority can properly reflect local circumstances of local pupils.

39. Councils provide a range of key services including education for children with special needs, school transport, advice and continued professional development for teachers and support for parents. Education is, of course, just one of the services for which local government is responsible. Councils are in a unique position to make sure that all services work in support of schools’ drive to raise standards and removal of funding streams from one of these services will impact on the others.

40. Locally elected councillors have a democratic mandate as leaders of the community to prioritise school budgets locally to meet needs of pupils and the locality. This will be lost and lead to a democratic deficit with a national funding system.

41. There are large numbers of children being educated outside the conventional school setting, for example at home. A national funding system will not cater for those pupils.

42. The increasing pay bill in schools has driven the difficulties experienced by some schools this year. A national funding system will not remove this local decision-making by head teachers to appoint staff on particular points of the salary scale. What is required is greater certainty of pay over a number of years and greater influence for local authorities over the salary costs in schools and certainty in budgetary planning.

#### PREFERRED LONG-TERM SOLUTION OF THE LGA

##### *More Local Income; Less Grant*

43. The long-term solution preferred by the LGA would include the following elements.

- sufficient money in the system based on a thorough evaluation of the real cost pressures facing schools;
- local flexibility to deliver education and other related services to individual pupils and schools would be greater with this approach, far more so than a nationally-driven formula; and
- effective financial management and human resource planning at a local level including more effective mechanisms for securing a strategic approach between councils and schools.

44. This would be achieved through continuing to fund schools through a mixture of central and local sources, but raising the local element substantially, by shifting the balance of funding between central and local sources of income. Schools would thus be funded through council tax, business rates and/or a new local source of income. Grant income, and specific grants in particular would be reduced significantly. This would lead to more predictability and the local council would be able to predict its income and allow it to set budgets for schools for more than one year.

45. It would then be possible to give schools three year budgets as requested by DfES, subject to certainty of pay levels. Three-year budgets are not feasible while pay is not certain.

46. Changes in grant formulae would have less effect and would be less turbulent than this year. “Gearing” would be less steep and council tax increases as large as those seen this year would not be required to realise small increases in spend.

47. Local influence over staff pay and staffing numbers would also allow authorities to have more control over schools’ budgets.

#### LGA’S CONCLUSIONS

48. The LGA has major concerns about how the recent changes have been dealt with by DfES and that the subsequent discord runs counter to the development of a relationship between central and local government based on trust.

49. The DfES response to accounts of difficulties facing individual schools was to encourage a media blame-game of LEAs rather than by working with the LGA and local councils to understand the causes.

50. The LGA does not accept that the way to overcome these difficulties is more micro-management. We strongly believe that local councils understand the needs of their communities and are best placed to deliver education. Increasing councils’ autonomy and control of funding arrangements is the best way to ensure that all pupils get the most appropriate education.

51. Some of the difficulties this year have been caused by the ending of elements of the Standards Fund. This does not provide an argument for maintaining specific grants such as the Standards Fund, but instead shows the difficulties and inflexibilities that result when central government departments rely on ring-fencing to deliver improved services.

52. Similarly, we do not accept that a national funding formula would help—instead it would make it much more difficult to cope with local variations or to cater for particular local needs such as smaller rural schools or schools in deprived areas.

53. Returning to the quantum, with so many schools experiencing funding difficulties and key reasons being staff costs and the ending of some Standards Funds grants, the question has to be whether a £250 million increase been sufficient to fulfil the expectations of local authorities, schools, Heads, Governing bodies and Schools Forums.

54. The preferred long-term solution of the LGA is for there to be a shift in the balance of funding thus enabling authorities to give schools more certainty in their funding.

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### Memorandum submitted by the Association of Colleges (AoC)

#### SUMMARY

1. It remains the view of AoC that overall the Spending Review 2002 settlement provides the best funding framework the FE has yet seen.

2. However, as will be evident from the following paragraphs, assessment of the overall impact of the settlement in 2003–04 is complicated because of the simultaneous introduction of:

- performance related funding (under *Success for All*);
- the transfer of responsibility for teachers pension increase, the consolidation of monies for TPI and the staff development element of the Standards Fund;
- the further increases in employer contributions for teachers pensions (arising from the review by the Government Actuary's Department), increases in local government pension contributions, and the rise in employers national insurance contributions, and other cost rises.

3. Notwithstanding these complications it is reasonably clear that for 2003–04, many colleges are seeing little or no improvement in their funding positions in real terms, and a significant number face a real terms decrease.

4. While, there is the prospect of an improving position in 2004–05 and 2005–06, in real terms for most colleges the gain will be only some 5% by the end of that period. Further the linkage of these improvements to delivery of demanding targets, and the uncertainties surrounding the consolidation of this funding, necessitate considerable caution. This is imposing real constraints on the ability of the sector to address in particular the erosion in pay relativities which has taken place over recent years.

5. Although adoption of the trust approach recommended by the Bureaucracy Task Force will over time bring welcome reductions in the bureaucratic burden on colleges, as noted above the arrangements for implementation of *Success for All* now being introduced through LSC circular 03/09 are likely to introduce further complications and uncertainties for colleges.

6. At the same time the sector is facing the prospect of yet further changes to both the policy framework and to funding mechanisms arising from the Skills Strategy and the Review of Funding of Adult learning, the detailed implications of which cannot yet be foreseen. While many of these changes may be welcome in their own terms, others may have wider ramifications, and it will be important to ensure that they are introduced in ways which do not lead to greater complexity or destabilisation for the sector.

#### INTRODUCTION

7. The Association of Colleges is the representative body for further education colleges, established by colleges themselves to provide a voice for the FE sector at national level. The membership includes colleges of all types—general further education, sixth form, agricultural and horticultural, art design and performing arts, and other specialist colleges. Membership covers colleges in England, Wales (through affiliation arrangements with Ffforwm) and Northern Ireland (through the Association of Northern Ireland Colleges). Some 98% of colleges in the three countries are in membership.

8. The expenditure plans set out in the DfES *Departmental Report 2003* embody the outcome of the Spending Review 2002, for which the main outlines—in relation to the allocations for Education and Skills as a whole are concerned—were announced last summer. As far as the further education sector is concerned, the Secretary of State set out more details of the settlement at the AoC annual conference in November 2002. For 2003–04 the FE sector allocations were then included in the LSC grant letter issued in December 2002.

9. The Association is pleased to have an opportunity to assist the Committee in this annual review. The evidence which follows seeks to:

- identify the key features of the settlement as far as the FE sector is concerned;
- describe and comment on the way in which the settlement has been translated by LSC into funding arrangements for 2003–04;
- analyse the implications for colleges;
- comment on other developments which impact on funding for the FE sector;
- identify the key issues which now face the sector over the period to 2005–06.

#### FURTHER EDUCATION ALLOCATIONS TO 2005–06

10. Enclosed at Annex A is a copy of a briefing document (17/02) on the Spending Review settlement to 2005–06, and on the LSC grant letter for 2003–04, issued to member colleges shortly after the Secretary of State's announcement last autumn.<sup>9</sup> It provides a summary of the key features of the settlement, together with an initial analysis of the implications and some comparisons with the settlement for schools.

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<sup>9</sup> Not printed.

11. In relation to the conclusions drawn in that analysis, the further information published in the DfES *Departmental Report 2003* has confirmed in particular:

- the bulk of the increase in participation for 16–19 year olds is expected to be delivered through colleges, with a more modest increase in the proportion of young people entering work-based training, and an essentially unchanged participation rate in schools;
- and that the increasing size of the 16–19 cohort will mean that overall participation rates will rise only slowly;
- real resources per pupil in schools will rise at a substantially faster rate than for students in FE or HE (by some 15% over the period 2002–03 to 2005–06 for the revenue component alone, compared with a rise of 8% and 7% respectively in total resources per students in the latter).

12. Subsequent to the issue of briefing 17/02, DfES published details of the funding allocations for higher education in the White Paper *The Future of Higher Education*. Analysis of those allocations shows that overall increases in institutional funding for higher education (i.e. excluding student support) are a little higher than for the FE sector (31% in cash terms as compared with 26%), but that is largely due to a more favourable settlement for research funding. Funding for teaching in higher education will rise by some 19%, but assumes a projected growth in enrolments somewhat lower than in FE (some 5% over the period 2002–03 to 2005–06, as compared with 11% for FE), so that the increase in resources per student is similar—as a comparison of tables 3.7 and 3.8 of the DfES *Departmental Report 2003* demonstrates.

13. That analysis confirmed also the initial conclusion set out in briefing 17/02 that there has been little overall shift in DfES priorities, but that as noted above the allowance for significant growth in the settlements for both FE and HE will mean that improvements in resources per learner in schools will outstrip those in post-16 learning. The likely result is that by 2005–06 overall resources per pupil in schools will be only marginally below the parallel figure for FE students.

#### LSC FUNDING FOR 2003–04

14. Enclosed also at Annex B is a further briefing document (2/03) issued to AoC member colleges in February, which provides a more detailed analysis of the actual funding position likely to face colleges in 2003–04,<sup>10</sup> in the light of the decisions announced at the beginning of the year by LSC on funding rates for 2003–04.

15. As will be seen, that analysis demonstrated that:

- while the provision for the transfer for teachers pension increase was likely to be broadly neutral at sector level, the effect would vary considerably from college to college;
- the method chosen for consolidation of TPI/CPI/PSP and the staff development element of the Standards Fund would result in a reduction in funding at sector level of about 1% in 2003–04, but the impact would also vary considerably at college level;
- this loss would however be offset for some colleges by increases in area cost allowances and widening participation premium (again with variations consequent upon the introduction of a new index of deprivation, and some changes in the classification of a few areas for area cost purposes);
- the net effect of these changes would be that for most colleges, the real rise in funding rates would amount to about 1%, rather than the 2% envisaged in *Success for All*;
- but that the additional costs arising from the rise in employers national insurance contributions, the further increase in employer contributions to the Teachers Pension Scheme arising from the Government Actuary's review, and in employer contributions to local government pension schemes, would reduce this by a further 1%;
- leaving the sector overall with an increase in resources in 2003–04 roughly equal to the inflation allowance of 2.5%, before any consideration is given to pay and other price rises;
- but with considerable variations between colleges.

16. The analysis further demonstrated that the position was likely to be somewhat more favourable in 2004–05 and 2005–06, with a cumulative increase in funding levels of some 5% above inflation by the latter year (excluding provision for growth in enrolments). In the view of AoC the latter figure effectively sets the parameters within which improvements in services—including enhancements to pay levels—will need to be contained.

#### SUBSEQUENT DEVELOPMENTS

17. Since February LSC has been undertaking the allocation of funds for 2003–04, which resulted in the overwhelming majority of colleges being notified of allocations at the beginning of May—considerably earlier than in previous years. The overall picture is as yet unclear but reports reaching the Association:

<sup>10</sup> Not printed.

- 
- indicate that allocations for 2003–04 meet all projected growth in enrolments for 16–19 year olds and for adult basic skills, but that as predicted in briefing 17/02 resources for other adult growth have been curtailed;
  - confirm the expectation of the analysis set out in briefing 2/03 that for many colleges the additional cash resources available, after taking account of the transfers and additional costs described there, are well below the 4.5% envisaged in *Success for All*, and for some colleges are below even the assumed inflation level of 2.5%;
  - suggest that many colleges have not been given the detailed explanation of the calculations underpinning their allocations for 2003–04 envisaged in briefing 2/03, making it difficult for colleges to compare with actual funding levels in 2002–03;
  - suggest also that for many colleges, the rises in employer contributions to the Teachers Pension Scheme are substantially above the assumed 2% allowed for in 2003–04 funding rates;
  - and similarly that the rise in employers national insurance contributions, employer contributions to local government pension schemes, and other cost increases (most recently the rise in fees for Criminal Records Bureau searches) are running at a level at least as great as predicted in briefing 2/03.

18. In addition, with vacancies in colleges running at twice the level of schools, staff recruitment and retention represents a considerable challenge for colleges. There is in consequence an urgent need to modernise pay arrangements to address these problems. Having reached agreement on the outstanding claims for 2002–03, AoC has been exploring with the recognised unions the scope for modernising pay structures in general FE colleges over the coming years. In formulating its approach, AoC has had regard both to the need to ensure delivery of the new requirements laid down in *Success for All*, and to the affordability of changes, having regard to the constraints described above. Following extensive consultations with member colleges, negotiations are continuing. In parallel, the Sixth Form Colleges Employers Forum has reached agreement with its recognised unions, on a new pay structure for sixth form colleges.

#### SUCCESS FOR ALL—LSC CIRCULAR 03/09

19. In addition, LSC undertook in January (through circular 03/01) a consultation on implementation of the policy framework announced in *Success for All*: final decisions on the approach proposed there have now been issued in circular 03/09.

20. While in a number of important respects clarifying the operation of the new framework set out in *Success for All*, the proposals have confirmed that there will be further funding issues to be faced by colleges over the coming period. In particular:

- while the introduction of three year development plans, and the moves to build a new set of operational relationships built on the recommendations contained in the report of the Bureaucracy Task Force *Trust in the Future* (including in particular the abolition of reconciliation and clawback), has been welcomed, it is as yet unclear to what extent the processes of annual performance review will erode the stability these measures are designed to bring;
- the introduction of headline improvement targets in respect of enrolments, employer engagement, success rates and teacher qualifications, will add to the multiplicity of targets against which FE sector performance is already judged;
- it is as yet unclear how effective the provider performance review process adopted by LSC will be in ensuring consistency and equity in the judgements of college performance which will trigger additional real terms funding in 2004–05 and 2005–06;
- and in avoiding the reintroduction of multiple, divergent funding levels, which would make it increasingly difficult to ensure equality of provision for learners;
- there is also room for concern that the proposals to deliver performance related funding as a supplementary allocation not consolidated into core funding will make it difficult for colleges to give forward commitments against such allocations (for example, in respect of pay);
- there remains a need to develop more consistent success measures to underpin the judgements about performance and the allocation of additional funding.

#### SKILLS STRATEGY—REVIEW OF FUNDING OF ADULT LEARNING

21. As the Committee will also be aware, as a contribution to the process of developing the Government's planned Skills Strategy, DfES published in March 2003 two initial documents *Developing a National Skills Strategy and Delivery Plan: Underlying Evidence* and *Progress Report*. In parallel, LSC published *Funding Adult Learning: Technical Document* which set out a range of initial ideas for possible reform of the funding system, as a contribution to the Review of the Funding of Adult Learning also launched in Spending Review 2002.

22. Although much of the detail of Government policy in these areas will not emerge until the publication of the White Paper (now expected in July), it is evident that many of the suggestions envisaged carry major implications for the policy and funding framework within which colleges operate. Examples might include,

- while there would be widespread support for the need to give priority in public funding to adults lacking adequate basic skills or level 2 qualifications, if the consequence were a withdrawal of support for other groups, or a dismantling of the infrastructure for other areas of learning need, there would be major ramifications for the overall pattern of learning provision and the character of colleges;
- changes in the funding incentives for colleges and providers might also have a significant impact on patterns of provision;
- while there would be widespread support for unitisation of adult qualifications, the funding implications have yet to be worked out in detail;
- while there may be scope for channelling some funds through individuals (perhaps through a new form of Individual Learning Account) or through employers (such as in the Employer Training Pilots), major shifts in these directions could result in serious destabilisation of the sector;
- while the need for better planning to take account of regional, sectoral and national as well as purely local needs is recognised, any strengthening of planning mechanisms needs to recognise the importance of allowing colleges and providers to respond to changing demands;
- while a more differentiated approach to fees policy would be justified, regard needs to be paid in applying changes to the impact on demand and access to learning provision;
- in supporting moves towards simplification of the funding system, the sector will undoubtedly wish to ensure that the system remains sensitive to the wide variety of learning needs for which colleges provide.

## CONCLUSION

23. The Association will be happy to expand on these issues in oral session if that would be helpful to the Committee.

*June 2003*

## **Memorandum submitted by Jarvis Plc**

### 1. INTRODUCTION

1.1 Jarvis is pleased to be making this submission to the Education and Skills Select Committee. It monitors the Committee's work and values the contribution of its members to the development of education services.

1.2 Jarvis delivered 19 new or refurbished education facilities in the latter part of 2002. The company is developing, under PFI, just under 100 schools that look after some 80,000 pupils. The company is therefore well placed to update the Committee on the progress of the Government's PFI schools programme from the standpoint of the contractor.

1.3 In this submission, we cover the value for money that the PFI provides to the public sector and the latest evidence demonstrating how new or improved schools can raise education achievement levels. At the suggestion of the Committee Clerk, we also cover the PFI development process, the management of projects and lines of communication between Local Education Authorities (LEAs), contractors, teachers and other stakeholders.

### 2. VALUE FOR MONEY

2.1 PFI is structured to provide value for money to the public sector over the whole life of an asset through the transfer of risk. Value for money is not just about lowest price. It is delivered by comparing the outcomes and benefits of a project with the estimated cost of a transaction if it were, hypothetically, funded directly by an education authority (the Public Sector Comparator or PSC).

2.2 In England, education projects can only proceed to implementation if the cost of the transaction, measured as Net Present Value, is less than the PSC. The PSC has been criticised as being unfair to the public sector because of a risk adjustment factor included in the PFI solution. Jarvis believes it is a useful comparator tool because PFI requires the acceptance of risks that are not normally wrapped into traditional procurement processes. These include fixed financing, fixed capital costs, guaranteed performance and availability criteria.

2.3 Audit Scotland carried out an investigation of the first six schools PFI projects in Scotland and revealed savings against the PSC of up to 11%<sup>11</sup>. Even when there was some doubt about the PSC, Audit Scotland concluded that the PFI solution delivered better value for money because of other benefits, including a greater proportion of new build than anticipated. There have been similar outcomes in England. In Liverpool and Stoke-on-Trent, a greater than expected element of new-build has been introduced by the provider.

2.4 A report by the National Audit Office<sup>12</sup> reached similar conclusions to Audit Scotland. It surveyed 37 PFI projects and found that they were delivering price certainty to the clients and most were delivered in the time specified in the contract. Twenty-eight of the 37 projects were delivered on time, or earlier than specified in the contract, and six were delayed by two months or less. The report also found that 70% of traditionally procured central government construction projects were delivered late. However, it is early days and substantial cost savings won't be realised to the taxpayer for a number of years. Jarvis would welcome ongoing research as more projects come to fruition to introduce clear evidence of actual value for money over a wider range of projects.

### 3. HELPING TEACHERS TEACH

3.1 It is well accepted that new schools *per se* improve pupil standards. However the recent nature of the programme means that there is insufficient comprehensive research available assessing the effects of educational outcomes of children who attend PFI schools. There is some early anecdotal evidence. One recent Ofsted report<sup>13</sup> acknowledged the beneficial impact on pupils by describing one new PFI school building as “excellent” providing a “stimulating learning environment”. Another described the new building as “having a very positive effect on the attainment of pupils”.<sup>14</sup> “Its involvement in a PFI is a very good example of where another organisation has been identified as better placed to provide accommodation and premises services and support.”

3.2 Importantly, PFI reduces the property management responsibility of head teachers and other senior staff of schools, allowing them to concentrate on their prime duties. A recent Audit Commission report<sup>15</sup> noted that there had been significant improvements to the facilities management of schools under PFI. There was a “greater level of responsiveness, particularly day-to-day building maintenance”. Many heads welcomed this as taking a burden off them. In that respect, PFI is achieving one of its main objectives—that of reducing the property management responsibility of head teachers, freeing up their time to allow them to teach. In addition, because maintenance, cleaning and capital replacement standards are contracted over the 25–30-year concession, property management does not fall victim to occasional LEA or school budget constraints. Budget crises have traditionally resulted in teachers and governors diverting resources from property maintenance then subsequently having to expend significant energies in dealing with problems created by facility failures.

3.3 In the summer of 2002, Jarvis commissioned an independent research company<sup>16</sup> to carry out qualitative interviews amongst a sample of mainly secondary PFI schools. There was a high level of support for PFI amongst the teachers and staff who had direct experience of it, particularly those with longer experience. Most head teachers believed the new buildings and facilities have had an extremely positive effect on pupils' motivation and self esteem. A majority of schools surveyed felt that the facilities and resulting working environment assisted the recruitment of teachers. We would welcome longer-term research on the impact on teaching standards and educational outcomes in this new environment where heads and senior teachers do not have to worry unduly about property maintenance and cleaning.

### 4. PROJECT SCOPE, DESIGN AND DEVELOPMENT

4.1 PFI contracts are over 25–30 years which means that the LEA and teachers are obliged to take a best use view over a much longer period than perhaps previously. Traditionally, schools were built either according to the prevailing wisdom of the time producing buildings that were inflexible in the medium to long term or with brilliant designs, but often impractical to maintain. What PFI does is to encourage both LEAs and teachers to consider the best long-term cost solution combined with most practical functionality. Over a lifetime, these schools are easier to manage. This benefit is not immediately obvious to those who work in them and it can lead to accusations, often levelled at the contractor, that design has been compromised or a school “built on the cheap”. Jarvis would welcome a greater degree of understanding among head teachers of the implications of whole life cost solutions and roles and responsibilities as they fall between the serviced accommodation provider, the staff and pupils.

<sup>11</sup> Taking the Initiative. *Audit Scotland*.

<sup>12</sup> PFI Construction Performance. *National Audit Office*.

<sup>13</sup> Cardinal Heenan Catholic High School, Leeds Ofsted Report, February 2003.

<sup>14</sup> Sir Graham Balour High School Ofsted Report, March 2002.

<sup>15</sup> PFI in Schools. *Audit Commission*.

<sup>16</sup> Avista Research for Jarvis Plc 2002.



4.2 So far, PFI has replaced only 2% of all new schools. Some 85% of schools pre-date 1976. The Government is to be applauded for sanctioning a substantial increase in the schools capital programme since 1997. However we would agree with the Minister of State for School Standards David Miliband who says that we have only been “digging ourselves out of a hole”.<sup>17</sup> That means we have a long way to go on the investment curve and the project development process must become more efficient at each stage on that curve. We welcome the Government’s decision to commission 12 exemplar designs—six for primary school and six for secondary. These designs would be a starting point for all stakeholders to debate what kind of school they want in advance of preferred bidder status. This will also help keep bidding costs down and ultimately allow bidders to focus on areas of greater longer-term benefit such as supply chain management or IT integration.

4.3. The process of negotiation with LEAs has become less complicated with each new PFI. We as contractors learn lessons each time and the pool of shared experience between LEAs grows. That being said, Jarvis would welcome the continued improvement in the quality of project management by LEAs. In many cases, school bundle PFI packages are the biggest capital projects ever commissioned by a client and local officials always benefit from the best professional advice.

## 5. PROJECT MANAGEMENT

5.1 As is sometimes the case with large, complex contracts, there are sometimes delays in delivery schedules. Delays are inevitably accompanied by complaints from governors and teachers. We as contractors are constantly seeking to improve our responsiveness to clients and end users. We need to involve all teachers and governors and parent representatives at an earlier stage in the process, to secure a greater level of understanding of what the project will deliver. No contractor enjoys failing to deliver to schedule—and Jarvis is no exception to this rule. We would be interested if the Committee would invite some LEAs to compare the delivery record of PFI with traditional procurement over the years.

5.2 A number of factors can contribute to a project delay: the performance of sub contractors; the level of realism behind the project schedule; the scope of the work (additions to the original contract), and what are known as latent defects—defects unnoticed in the condition survey and which emerge at a later date.

5.3 The level of realism behind a project schedule is partly a result of negotiation between the LEA and contractor. By its nature, the negotiation process can result in issues “being parked”—by both sides—in order to reach a close on the deal. The LEA might be under political or financial pressure to deliver new schools to a set timetable although the usual imperative is to fit delivery to the academic year. Sometimes LEAs want to change the size of a project at the last minute or vary the schools in a scheme within the original price. For their part, contractors understandably want to deliver to tight timetables in order to secure work. This is a reality of the negotiation process that is often not appreciated by those who work outside the private sector.

5.4 Aside from delays for which, we would remind the Committee, the contractor pays a commercial price, some complaints concern either operational issues around refurbishment or major works while the school is still functioning or a feeling that some design or change to the project “was not what was ordered”. Jarvis is always looking for new ways of improving its management of “refurb” contracts so as to minimise the disruption to schools. Defining the exact scope of a refurbishment has been one of the larger challenges of the PFI process as it is often hard to define the scope with accuracy.

5.5 With an ageing schools estate, it is inevitable that problems with old buildings will be unearthed that need remedying during the contract rather than before. So-called latent defects can lead to disputes between the parties. In one project involving a 20-school refurbishment, a non-intrusive asbestos survey during the Preferred Bidder stage showed remedial costs of £1.4 million. Asbestos removal is common in school refurbishments. It was acknowledged by both parties that there could be more asbestos and Jarvis’s liability was capped. Much larger amounts of asbestos were found subsequently leading to delays and cost over-runs which could not be obviously explained to parents without causing alarm or embarrassment to the client. It is important to understand that buildings have a typical technical engineering life of 50–60 years with finishes and building services requiring major upgrades at around 25–30 years. The disruption and design compromises and unknowns of major refurbishments can sometimes outweigh the financial advantages.

## 6. LESSONS GOING FORWARD

6.1 As major PFI contractors, we are often asked how we might do things differently if we were starting from scratch. It is fair to say that Jarvis understands in much greater detail about the way a school is run and how its facilities are used than it did at the outset. We also have a greater feel for what facilities can be used by third parties to generate income. There is a greater appreciation that the social demographics of a local community can make it unreasonable for LEAs to expect a step change in third party income. Commercial nursery schools, for example, are not always an appropriate use of primary school facilities in

<sup>17</sup> Speech to LGA/4ps conference May 2003.

some socially excluded areas. Charging for the out-of-hours use of school halls may be accepted in some parts of the country but not in others. It would be helpful as the PFI process matures that LEAs recognise the finite nature of third party school income.

6.2 Other experiences have aided the process. Sometimes teachers question the size of the canteen in new schools and this is now factored into new build specifications. Jarvis believes it can define more accurate service levels for cleaning standards in an environment which, by definition, needs a lot of upkeep. These are examples of best practice that merit the widest possible dissemination.

6.3 It is an inescapable feature of government that politicians are prone to talk up the social benefits of a particular capital programme in order to convince their electorates that public services are improving. The process of democracy means that the impression can be given that spending x or y million will make a real difference. After the declaration of Preferred Bidder status, Jarvis has learned the importance of sitting down with Heads and teachers to explain in as much detail as possible what will be delivered. Ensuring that all stakeholders understand what will be done is the best way of avoiding disappointment at the end of the process. Jarvis has recently appointed a Director with responsibility for communicating directly with the end user in order to avoid such confusion. LEAs are getting much better at explaining to teachers what to expect but this is an area where more transparency would greatly assist the process.

6.4 As the PFI programme grows and more schools are being included in each LEA project, we would pose a philosophical question for policymakers: What do you do with schools that are now being left out of each improvement package in a particular area? While the worst schools are looking smarter and are being better managed, LEAs risk polarising an area. Resentment can be caused by the fact that some schools are now so much better run and managed than neighbouring LEA-run schools. As investment in new schools is set to increase significantly, the Committee has an opportunity to ask whether, going forward, the whole of an LEA estate should be brought up to equivalent standards of design, performance and maintenance and cleaning levels.

*June 2003*

### **Memorandum submitted by Equion**

#### **1. INTRODUCTION**

1.1 Equion is pleased to submit written evidence to the Education and Skills Committee's Inquiry into public expenditure. This evidence relates to the procurement of Private Finance Initiative schemes in schools.

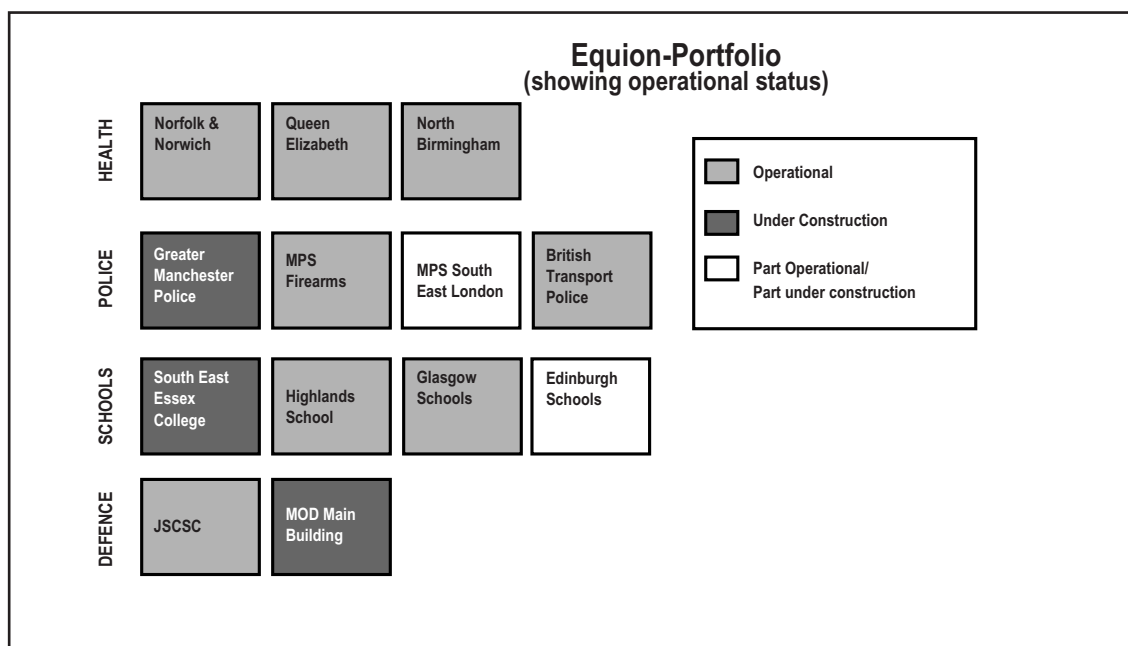
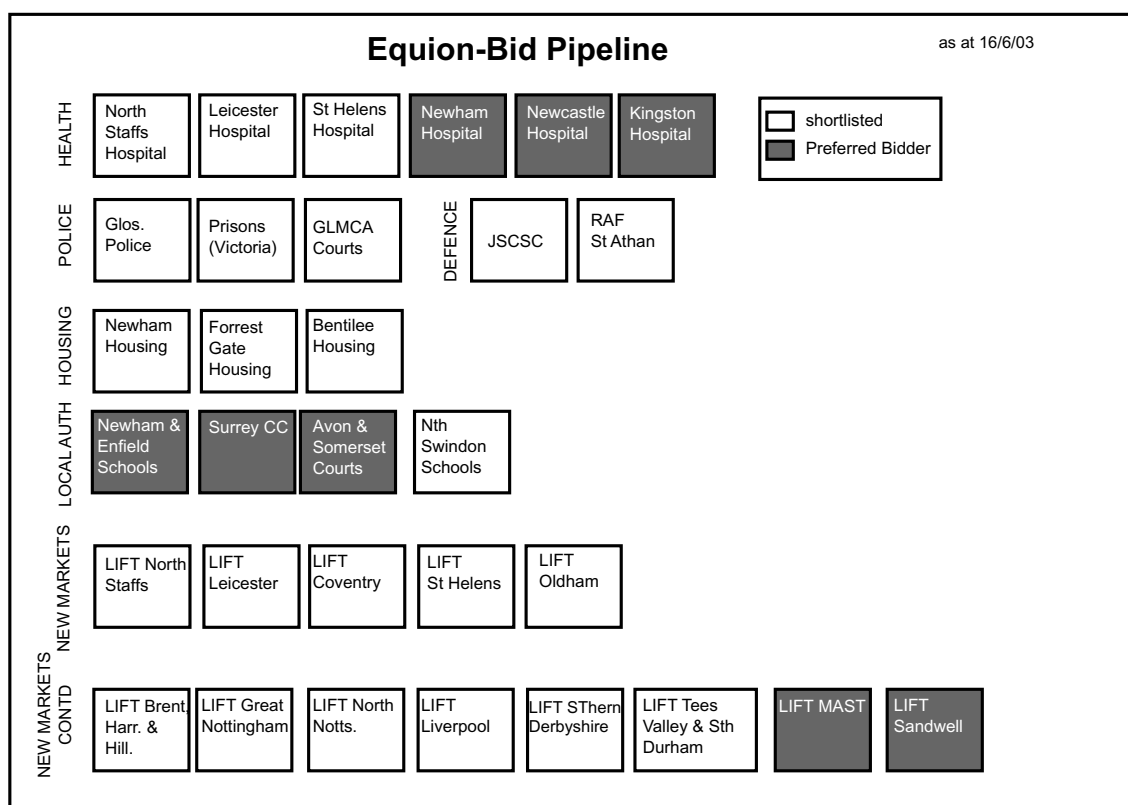
1.2 Equion is a specialist investment, funding and management company, owned by John Laing Plc. Equion specialises in the procurement of PFI and PPP projects. We often operate independently of contractors and service providers. Our independence ensures that the most suitable package for each client can be created and that there is a seamless transition from one stage of the project to the next. Equion enjoys working closely with its partners to complement and add value to their existing expertise.

1.3 During the past five years Equion has been building up its human and financial resources to manage all aspects of a project throughout its life cycle, from design and build, asset and facilities management and service delivery, to financial and legal close. This expertise has resulted in significant recent successes across a variety of PFI sectors, which we hope to build on to meet the needs of the ever-changing education sector.

1.4 Equion's approach to partnership development is to harness local aspirations through stakeholder interpretation, thereby producing local solutions that are service led and based around the needs of pupils, staff, parents and community stakeholders.

#### **2. EXPERIENCE**

2.1 Equion has steadily developed its PFI portfolio. Our success in the health, police, education and defence sectors together with the acquisition of Hyder and Amey's PFI portfolios have confirmed our position as a market leader.

**Chart showing current portfolio****Chart showing current bid pipeline**

2.2 Despite our current share of the education PFI market being relatively small, it is significant and we intend to strengthen our position by building on recent successes and sharing expertise from other sectors. Equion's experience of working with local stakeholders through our involvement in NHS LIFT has resulted in a greater understanding of the importance of involving the community in the scoping and delivery of first class local services. We have learned that a collaborative approach between the private sector and all local agencies and stakeholders from the very start of the process produces the best results. When developing NHS LIFT partnerships we worked closely with local police, education providers, transport operators, the local authority and other key stakeholders to ensure the best design and delivery of facilities and services. Using our success in this area as a foundation, we are determined to build successful partnerships to help deliver the Government's "Building Schools for the Future" scheme.

2.3 Not only have we been drawing on best practice that we have learned in related service sectors, such as health and police, we have also concentrated on building long-term partnerships in education. This approach at Highlands School in Enfield has allowed us to develop a strong relationship with the Local Education Authority. The relationship has been a rewarding one, as demonstrated by the fact that Equion is now at preferred bidder stage for the latest grouped schools scheme for Newham and Enfield.

2.4 Equion is committed to leveraging in community involvement within PFI schemes and understanding the complex interactions that take place within a local area. This knowledge will place us in an excellent position to address local briefs for education schemes that are based around the lifelong learning agenda. The concept of campus style learning villages is growing in popularity and we believe this type of development allows extremely flexible facilities to be built that can best meet the educational needs of an entire community in a cost efficient way.

### 3. BEST PRACTICE

3.1 Equion strives to continually learn from its partners, cross-fertilising ideas from one sector to another, developing pockets of best practice, which can be shared across the company and with other partners.

3.2 We have learned that the best way to approach running PFI schemes is to link the skills and experience that already exist in the public sector to the effective and efficient working practices of the private sector. An example of this joint working is the development of a new locker system for the police. Equion staff realised that the existing police lockers did not adequately accommodate the different equipment needed by police officers. Their lockers failed to keep body armour in the condition required to be effective as they caused creasing which reduced the efficiency of the product and could potentially have left officers vulnerable to attack. We worked with the police, building on their experience of best practice, mocking up designs and examining the storage requirements for different officers' equipment. This process of joint working resulted in a product being designed that exceeded client expectations. The new lockers are a success by being both functional and relevant to the officers needs. It is this type of approach, which has resulted in excellent partnerships and has been developed in all the sectors in which we operate.

3.3 In terms of procurement best practice, the contract for Highlands school in Enfield was finalised in just ten months after the project was advertised in the Official Journal for the European Community. It has long been an aspiration of both the public and private sectors to minimise the length of the procurement process and reduce costs. This short procurement period was achieved as a result of close partnership working, between Enfield Education Authority and Equion, in overcoming any difficulties during the closing negotiations. Both parties were closely focussed on achieving the overall goals of the Education Authority. The final negotiation process was assisted greatly by the fact that the Authority had a vision that had been clearly articulated in the documentation that underpinned the partnership.

3.4 Equion believes that by adopting a flexible and responsive approach to partnering and by having the ability to listen genuinely to partners, we can achieve excellence in partnership projects in the future. We have learned the importance of input from local stakeholders from the outset of any project. To us, extensive consultation and facilitating local input into projects is not a public relations exercise, it is a vital tool for ensuring we deliver the solutions local communities need.

3.5 We believe in developing the local skills base wherever possible. Our facilities management team is delivering new and forward-looking services for the Metropolitan Police Service in Stations in London and the Specialist Firearms and Public Order Training Centre in Gravesend and Equion can now use this experience in other sectors. By allowing our staff to move between sectors, Equion can give them a more varied and challenging career than might be possible in traditional roles. This allows us to recruit, train and retain talented local people. This approach not only benefits the local community through building the skills base it means the support Equion provides for key public services is delivered by people from within the community.

3.6 Equion's experience suggests that the most effective consortia are those that have flexible structures, are tailor made to the needs of individual schemes and are supported by locally sourced teams.

### 4. CONCLUSION

4.1 Equion welcomes the Government's commitment to raising standards in education through investment in the PFI process. We further welcome the commitment to a continued programme of investment in PFI projects, especially a new tranche of area-based initiatives that have the capacity to trigger urban renewal through local partnerships.

4.2 Equion has worked hard to establish itself as a good partner and we intend to bid for future education projects. We aim to raise the standard of education through effective partnerships that deliver better results for our clients.

*June 2003*